# OPEC bulletin

10/08

## IRAQ – open for business

# Rebuilding trust in the global economy

The turmoil that has hit major financial markets in recent weeks has sent shock waves through the world economy, striking at a time when there was already much uncertainty about the global outlook. In doing so, the turmoil has added greatly to that uncertainty, and the oil sector is becoming caught-up in the fallout from this.

Sound banking and investment institutions are an essential part of a well-functioning, growth-oriented economic landscape. And so, when deep cracks appear at their very heart, then the contagion quickly reaches global proportions, affecting a vast spread of the world economy.

Many people believe that we are now entering a new era of global banking, with a fundamental change in attitudes to regulation and other long-standing practices, as well as a notable shift in the balance among the leading international centres of finance.

The oil industry must do everything it can to limit the impact of the financial turmoil and to accommodate, in a timely and effective manner, any changes to the banking system that may emerge.

The harsh realities of the present situation are already apparent, with the massive swings in oil prices witnessed this year. We hardly need reminding that the price of OPEC's Reference Basket climbed to a record level of nearly $141 a barrel in early July, before falling by more than half by mid-October. Recently, some international crude prices rose by an unprecedented $16/b in just one day. What is more, this has all happened while the market has remained well-supplied with crude.

There is enough uncertainty in the oil industry as it is. The financial crisis, and the withering of confidence that accompanies it, is now compounding this uncertainty, with regard to both the supply of capital for investment and the level of future energy demand, should the turmoil seriously impair world economic growth, as some people fear. The depth and the duration of the crisis remain to be seen, and one can only hope for a quick and effective process of damage-limitation.

Importantly, one must call to mind here the most vulnerable members of the global community, the least-developed countries, and ensure that they are not ultimately hit hardest by the crisis, as they continue their pursuit of the Millennium Development Goals.

At times like these, when there is a fundamental breach in what has long been considered a solid, supportive structure, as we are seeing now in the financial sector, it is necessary for the other parts of the world economy to seek to compensate for this, by whatever means is available to them.

In this respect, as far as the oil industry is concerned, OPEC Member Countries will continue to ensure that the market remains well-supplied with crude at all times, in the interests of producers and consumers alike.

To this end, we called an Extraordinary Meeting of our Conference in Vienna, on October 24, to discuss in depth the changing outlook for the oil market, in the uncertain times we are witnessing.

We hope our endeavours will be supported by the early emergence of a revitalised, healthy and well-regulated international financial environment, which will make the severe volatility experienced this year a thing of the past.

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**Cover**
*Dr Hussain Al-Shahristani, Iraqi Oil Minister (see Interview on p28).*


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**Publishers**
OPEC
Organization of the Petroleum Exporting Countries
Obere Donaustrasse 93
1020 Vienna, Austria
Telephone: +43 1 211 12/0
Telefax: +43 1 216 4320
Public Relations & Information
Department fax: +43 1 214 9827
E-mail: prid@opec.org

**Web site: www.opec.org**
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OPEC is a permanent, intergovernmental Organization, established in Baghdad, September 10—14, 1960, by IR Iran, Iraq, Kuwait, Saudi Arabia and Venezuela. Its objective is to coordinate and unify petroleum policies among Member Countries, in order to secure fair and stable prices for petroleum producers; an efficient, economic and regular supply of petroleum to consuming nations; and a fair return on capital to those investing in the industry. The Organization now comprises 13 Members: Qatar joined in 1961; Indonesia and SP Libyan AJ (1962); United Arab Emirates (Abu Dhabi, 1967); Algeria (1969); Nigeria (1971); Angola (2007); and Ecuador (joined the Organization in 1973, suspended its Membership in 1992, and rejoined in 2007); Gabon joined in 1975 and left in 1995.

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Abdalla Salem El-Badri
**Director, Research Division**
Dr Hasan M Qabazard
**Head, Energy Studies Department**
Mohamed Hamel
**Head, PR & Information Department**
Dr Omar Farouk Ibrahim
**Head, Petroleum Market Analysis Department**
Mohammad Alipour-Jeddi
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The OPEC Bulletin welcomes original contributions on the technical, financial and environmental aspects of all stages of the energy industry, research reports and project descriptions with supporting illustrations and photographs.

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Siham Alawami
**Production**
Diana Lavnick and Andrea Birnbach
**Design & Layout**
Elfi Plakolm
**Photographs** (unless otherwise credited)
Diana Golpashin

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# OPEC reaffirms commitment to sound supply fundamentals

By Jerry Haylins

*Dr Chakib Khelil (l), President of the Conference and Minister of Energy and Mines of Algeria, with Abdalla Salem El-Badri, OPEC Secretary General.*

OPEC Member Countries' Oil and Energy Ministers have reaffirmed their commitment to ensuring sound supply fundamentals in the global oil market as the winter season approaches.

At their 149th Meeting of the OPEC Conference, held in Vienna, Austria on September 9–10, they agreed, in the early hours of the morning of the second day, to abide by the production accord reached in September 2007, but with the inclusion of output allocations for its two newest Members — Angola and Ecuador — and discounting the allocation of Indonesia, which has decided to suspend its Membership temporarily from January 1, 2009.

The new agreement means that the Organization's production allocations now total 28.8 million barrels/day.

## Market oversupply

"The agreement is effective from today. Actions will be taken by our Members as soon as possible," OPEC Conference President, Dr Chakib Khelil, told a press briefing at the end of the talks.

Asked whether he thought crude oil prices would increase as a result of the new agreement, Khelil, who is Algeria's Energy and Mines Minister, replied: "I do not think our decision today will affect the consumers

in any way because, first of all, there is an oversupply in the market — everyone agrees with that — stocks are very high, both for crude oil and petroleum products, and we will have an overhang by the end of this year, which will get even worse in 2009."

Questioned further about the direction of oil prices, he pointed out that when the price of oil was moving towards $147/b, as seen in mid-July, there was an increase in production initiated by individual Member Countries — and that did not stop prices from increasing.

"I think a similar thing will happen now, since there is an inverse relationship between the US dollar and the oil price. Right now, the dollar is going up in value and my hunch is that the oil price will continue to go down," he affirmed.

Also responding to the Meeting's decision, OPEC Secretary General, Abdalla Salem El-Badri, told the Secretariat's Webcast team that the Ministers considered reverting back to the September 2007 accord as the best course of action because of the oversupply in the market.

"We want to stick to the fundamentals. Prices are coming down very rapidly because of the excess supplies, so we thought it best to go back to our September 2007 production allocations.

"Our Member Countries realize there is oversupply in the market and an economic slowdown, which has resulted in lower demand. They see there is a problem — and they see they have to remedy it."

El-Badri said he thought the speculative element that had been prevailing in the market for some time — causing prices to rise sharply — had been reduced, "but we do not know if this will last. We hope that with normal weather throughout the winter, the market will stabilize."

## Balancing the market

Also speaking via the Webcast, Dr Hasan M Qabazard, Director of the OPEC Research Division, pointed out that for the Ministers,

*Desidério da Graça Veríssimo e Costa (l), then Angolan Minister of Petroleum; with Abilio Gomes (c), Consultant; and Eng Manuel Vicente (r), Chairman and Chief Executive Officer, Sonangol.*

*Dr Chakib Khelil, President of the Conference and Algerian Minister of Energy and Mines.*

*Dr Galo Chiriboga Zambrano (c), then Minister of Mines and Petroleum of Ecuador; with Diego Stacey Moreno (l), Governor for OPEC and Ambassador of Ecuador to Austria; and Eng Guillermo Granja, Vice Minister of Mines and Petroleum (r).*

*Dr Purnomo Yusgiantoro (c), Minister of Energy and Mineral Resources, Indonesia; Dr Maizar Rahman (l), Indonesian Governor for OPEC; Rainer Louhanapessy (leaning over), Embassy of Indonesia, Vienna; as well as Luluk Sumiarso (r), Delegate from the Ministry of Energy and Mineral Resources, Indonesia.*

*Dr Shokri M Ghanem (l), Chairman of the Management Committee of the National Oil Corporation, Socialist People's Libyan Arab Yamahiriya.*

*Odein Ajumogobia (SAN), Minister of State for Energy (Petroleum), Nigeria.*

the situation was very clear — "we have an economic slowdown, which means that demand is slowing.

"We are seeing excess production in the market and if we leave things unchanged we are sure, by the end of the year, to end up with a huge stock overhang. That could reduce prices to a level that is not conducive to investment and it would not be healthy for the world economy."

Continuing, he said: "A lot has changed in the market since September last year to today. In September 2007, we had a shortage of crude — today we see ample supply and we foresee unreasonable stock-builds going into the first and second quarters of 2009.

"The market has to be balanced and, I think, OPEC's decision will more or less balance the supply and demand equation. As Dr Khelil said, the decision will most probably not stop prices falling immediately, but, in the long run, I think it will bring balance to the market and restore prices to a level that is acceptable to everyone.

"Right now, we are seeing liquidation of positions — everyone is exiting the oil market with the US dollar appreciating in value. But it is not just oil — the price of gold is also falling because, again, speculators are exiting that market."

However, Qabazard warned that the speculators could come back, since the oil market was very lucrative.

Concerning price volatility, he stated: "A drop in the price of $10/b or $12/b in one day, as we saw in July, or even over one week, is considered huge volatility and we need to remove that element from the market."

## Communiqué

A communiqué issued at the end of the Conference said that after considering reports from the Secretary General, the OPEC Economic Commission Board (ECB) and the Ministerial Monitoring Sub-Committee (MMSC), which met ahead of the Conference, and reviewing current oil market conditions and future prospects, the Ministers observed that the action on production levels taken by the Organization had ensured that the oil market was well supplied. This action had enabled inventories to be built up to comfortable levels in terms of forward demand cover.

"Prices have dropped significantly in recent weeks, driven by a weakening world economy, in particular in the major OECD countries, with its concomitant lower oil demand growth, coupled with higher crude supply, a strengthening of the US dollar and an easing of geopolitical tensions. All the foregoing indicates a shift in market sentiment, causing downside risks to the global oil market outlook," said the communiqué.

*Eng Mohammed A Al-Aleem (c), Kuwaiti Minister of Oil; discussing with Suhail Al-Mutairi, Deputy Managing Director, Chairman's Office Affairs, Kuwait Petroleum Corporation. Also pictured is Fawzi Al Jasem (l), Ambassador of Kuwait to Austria; and Ms Siham Abdulrazzak Razzouqi (r), OPEC Governor for Kuwait.*

*Dr Hussain Al-Sharistani (c), Minister of Oil, Iraq; Tariq Aqrawi (l), Ambassador of Iraq to Austria; and Fayad Hassan Nima (r), Director General of Studies and Planning, Ministry of Oil, Iraq.*

*Gholamhossein Nozari (c), Minister of Petroleum, Managing Director, National Iranian Oil Company, IR Iran; Ambassador, Dr Ali Asghar Soltanieh (l); and Sy H Hosseini (r), Member of the Iranian Parliament.*

*Abdullah bin Hamad Al Attiyah (r), Deputy Premier and Minister of Energy and Industry, Qatar; with Abdulla H Salatt (l), Senior Advisor to the Minister.*

*Mohamed Bin Dhaen Al Hamli, Minister of Energy, United Arab Emirates.*

*Ali I Naimi (c), Saudi Arabian Minister of Petroleum and Mineral Resources; HRH Prince Mansour Bin Khalid Al Farhan Al Saud (l), Ambassador of Saudi Arabia to Austria; and Yasser M Mufti (r), National Representative to OPEC.*


*Rafael Ramírez (c), Minister of Energy and Petroleum of Venezuela; with Alí de Jesus Uzcátegui Duque (l), Ambassador of Venezuela to Austria; and Dr Bernard Mommer (r), Venezuela's Governor for OPEC.*

It stressed that, since the market was over-supplied, the Conference agreed to abide by the September 2007 production allocations, but adjusted to include new Members Angola and Ecuador, and excluding Indonesia, which has decided to suspend its OPEC membership from January 1, 2009, and Iraq, which has not been party to the allocations, totalling 28.8m b/d, levels that Member Countries were strictly committed to comply with.

"... Given the role played by oil market stability in the world economy, the Conference reaffirmed its commitment to ensuring sound supply fundamentals and an adequate level of spare capacity for the benefit of the world at large. Furthermore, the Conference recorded the readiness of Member Countries to swiftly respond to any developments which might place oil market stability and their interests at risk."

The communiqué said that, accordingly, in addition to maintaining a constant and vigilant watch over supply and demand fundamentals, the Conference agreed to reassess the market situation at its 150th (Extraordinary) Meeting, to be held in Oran, Algeria, on December 17, 2008. OPEC Member Countries also reiterated their commitment to working with the international community towards achieving energy market stability and security, enhancing socio-economic development, alleviating poverty and protecting the environment, recognizing that energy is central to the achievement of the Millennium Development Goals.

## Appointments and decisions

During the Meeting, Angola was unanimously elected to appoint an OPEC Conference President for 2009, while Ecuador was given the responsibility of appointing an Alternate President.

The Ministers also appointed Siham A Razzouqi, Governor for Kuwait, as Chairman of the Board of Governors for 2009, with Dr Abdullah Ammar Ballut, Governor for the Socialist Peoples Libyan Arab Jamahiriya, as Alternate Chairman.


*Pictured at the press conference (l–r): Dr Hasan M Qabazard, Director of OPEC's Research Division; Dr Chakib Khelil, President of the Conference and Minister of Energy and Mines of Algeria; Abdalla Salem El-Badri, Secretary General of OPEC; and Dr Omar Farouk Ibrahim, Head of OPEC's PR and Information Department.*

The next Ordinary Meeting of the OPEC Conference will convene in Vienna on Sunday, March 15, 2009, shortly before an OPEC International Seminar, which will have the theme 'Petroleum: Future Stability and Sustainability'. It will take place at the Vienna Hofburg Palace on March 18–19, 2009.

## Ministerial appointments

***As we were about to go to press, OPEC Member Countries Angola and Ecuador announced the appointment of new Ministers. They are Eng José Maria Botelho de Vasconcelos, Minister of Petroleum of Angola, and Derlis Palacios Guerrero, Minister of Mines and Petroleum of Ecuador.***
***In the next edition of the OPEC Bulletin, we will bring you a comprehensive profile of the two new ministers.***

# Ecuador appoints new Governor for OPEC

Ambassador **Diego Stacey Moreno** has been appointed Ecuador's OPEC Governor.

Born in Cuenca in July 1955, he has a doctorate in law from the Universidad del Ecuador.

Since graduating, he has been a career diplomat with 32 years of continuous service in the Ministry of Foreign Affairs.

Overseas, he represented his country as Ambassador to Sweden between 2000 and 2003. In addition, this position covered the countries of Denmark, Finland, Estonia, Latvia and Lithuania. He has also been Minister of the Embassy of Ecuador in both the United States and Germany.

At home, he was Under-Secretary of State for Administrative and Financial Affairs in 2004, Under-Secretary of State for National Sovereignty and Border Development between 2004 and 2007, and from April 2007 to June 2008, he was the Under-Secretary of State for Bilateral Relations. He was also Vice-Minister of Foreign Affairs on various occasions in 2007.

Stacey Moreno speaks Spanish, English, German and Italian. He is married with four children.

# New OPEC Governor for Venezuela

**Dr Bernard Mommer,** Managing Director of PDV Europe and Managing Director, Energy and Petroleum Resources Services, an affiliate of PDV Europe, has been appointed Venezuela's Governor for OPEC.

Born in Ayziau, France, in January 1943, Mommer was originally a German national, but since 1987 he has been Venezuelan. In addition, he has held British nationality since 2001.

He attained a degree in mathematics from the Eberhard-Karl University in Germany in 1967, and a doctorate in social sciences from the same university in 1977.

Mommer has worked in various positions in Venezuela since 1970. This was initially as a professor and lecturer at a number of universities, and then for the national oil company, PDVSA. The latter has included positions as Adviser to the Minister of Energy and Mines, Advisor to the Secretary General of OPEC, Non-executive Director of PDVSA, and Vice-Minister of Hydrocarbons of Venezuela.

From 1993 to 2001, he also held a number of positions in the UK. This included being a Research Fellow at St Antony's College, Oxford, and Senior Research Fellow at the Oxford Institute for Energy Studies.

Mommer is married. He speaks German, Spanish, French and English.

# Free-for-all speculation in energy sector must be addressed — Khelil

***The following address was delivered by Dr Chakib Khelil, OPEC Conference President and Algeria's Energy and Mines Minister, to the plenary session of the 149th Meeting of the OPEC Conference in Vienna, Austria, on September 9, 2008.***

We are pleased, once again, to greet our friends from the non-OPEC oil-producing countries attending today's meeting as distinguished observers. Their presence here is a further expression of the commitment of their governments to order and stability in the market and their recognition of OPEC's objectives and role in the international oil market.

Therefore, let me formally welcome Eng Sameh Fahmy, Minister of Petroleum of Egypt; Igor Sechin, Deputy Prime Minister of the Russian Federation; and Al Zubair Ahmed Hassan, Minister of Energy and Mining of Sudan.

Since we last met as a Conference on March 5, the market has been through a period of high price volatility. We have seen crude prices rise by as much as $10/barrel in just one day and fall by $15/b in three days. The price of OPEC's Reference Basket was, at one stage, nearly 50 per cent higher than it was at our last meeting, although it has dropped back since, and it now stands at $101/b.

And yet, throughout this turbulent period, supply and demand fundamentals have been sound, thanks to the pro-active measures taken by our Member Countries. The market has remained well-supplied with crude and stocks have been at comfortable levels. What do we make of all of this?

While prices were rising, we were saying that this was due to the impact of non-fundamental factors, notably the heightened levels of speculation, the falling value of the US dollar, geopolitical developments, downstream bottlenecks and perceived market tightness.

Now that there have been significant changes to some of these factors, such as the recent strengthening of the dollar, the easing of geopolitical tensions and the sharpened expectations of a global economic slowdown, with its impact on oil demand, we have been witnessing big falls in the oil price. Speculators, for example, have significantly liquidated their net long positions on the New York Mercantile Exchange, and this, in itself, has helped drive prices down.

All of this vindicates what we have been saying over the past year about the enormous impact that non-fundamental factors have been having on oil price volatility. This explains why we were reluctant to respond to


*Dr Chakib Khelil (c), OPEC Conference President and Algerian Minister of Energy and Mines; Dr Falah J Alamri (l), Iraqi Governor for OPEC and Chairman of the OPEC Board of Governors; and Abdalla Salem El-Badri, OPEC Secretary General (r).*

calls to increase our production when prices were rising persistently, because we knew we would be treating the illness with the wrong medicine.

At the present time, there are many unknowns about the market's behaviour, particularly with regard to price volatility, and we shall be focusing our attention on this critical issue at today's meeting. It is, after all, not right for a market to function in this way, with such wild swings in the price over such a short period, as we have seen over the past year.

As we keep saying, the issue of free-for-all speculation in the energy sector must be addressed comprehensively. There is too much at stake across the world for such high levels of volatility to be allowed to continue in this chaotic, damaging manner. Here I have in mind, in particular, the impact on the world's vulnerable developing countries and the achievement of the United Nations Millennium Development Goals.

The volatility remains with us today. It has not become less of a problem, because of the recent reversal in the pressure on prices, from upward to downward. Volatility is one issue. Price levels are another. They are connected, of course, but each also must be addressed in its own way.

What we really need to determine at today's meeting is the extent to which the underlying trends have changed in the oil market — whether we take this back two months, to when prices peaked, one year, to when the volatility intensified, or four years, to when there was a fundamental shift in the market's behaviour to reflect the unfolding realities of that time.

In assessing these issues at today's meeting, and in reviewing the outlook for the coming northern hemisphere winter and beyond, we shall be as conscious as ever of the need for lasting order and stability in the oil market, with reasonable prices and to the benefit of producers and consumers alike. And the agreement we reach will accommodate this abiding commitment of our Organization.

I suggest that we now turn to the next Agenda item by inviting our distinguished non-OPEC guests to address the floor.

# OPEC Ministers talk...

***As is customary at OPEC Ministerial Meetings, the Webcast team from the Organization's Secretariat in Vienna conducted a series of interviews with high-level officials attending the 149th Meeting of the OPEC Conference. Moderator Eithne Treanor spoke to the following OPEC Ministers before and after the Meeting.***

## *Dr Chakib Khelil*

### *OPEC Conference President*
### *Minister of Energy and Mines, Algeria*

Asked about the state of the oil market and the reasons behind the recent decline in crude prices, OPEC Conference President and Algerian Minister of Energy and Mines, Dr Chakib Khelil *(pictured right),* said the subprime mortgage crisis in the US in August and September last year was the start of a big devaluation in the US dollar.

"The inverse relationship between the dollar and the price of oil caused prices to rise by well over $40/barrel. We saw an absolute high in mid-July this year, after the dollar slumped to its lowest level in April. And now we are seeing this inverse relationship verified as the value of the dollar increases the price of oil is falling."

Khelil stressed that the actions of speculators and investment funds had made a big contribution to prices reaching their record levels.

"We are now seeing those funds moving out of the market, which is returning more to the fundamentals. But we are not there yet. The investors will seek areas that will give them their highest returns and if they think this is oil, they will come back."

Khelil said that, right now, the world economy is the major factor behind slowing demand.

"We are seeing this in the US with probably a drop in demand of 1m b/d. We are also seeing some impact in Europe, but not so much in China, India or the Middle East. But we do not really know the extent of that lower demand."

At the same time, he said, "we are seeing increasing supply from the non-OPEC countries. The US itself has increased supply through its marginal producers in a bid to bring prices down. Brazil is starting with its deep offshore production — at the moment it is modest, but it could translate into a lot of oil coming into the market over the next ten years."

Khelil pointed out that a change is being witnessed in the market. "Until recently we had backwardation, but now we are having contango, which means that people would rather stock their oil, not destock. As a result of this we are going to see a stock overhang at the end of the year, which will increase as we go into 2009. This is a very interesting situation that OPEC finds itself in and it has to deal with it."

Khelil stated that the issue now is how to deal with the volatility in the market.

"OPEC has always been for stabilizing the market — it is very important for OPEC Countries and producing states in general to have stable, reasonable prices.

"The importance for OPEC is the timing of its actions. If you time your action too early it will likely be counterproductive, yet if you wait it could be too late and you will have to make bigger efforts just to correct the situation," he affirmed.

"We have not forgotten the examples of 1986 and 1998 (when prices slumped), so we have to reflect on those events and take the appropriate decisions."

Asked how important it was to be able to revert back to the fundamentals of supply and demand, he said it was very important to remove the impact of "other" factors on the market, whether they constitute the devaluation of the US dollar, or any other issues.

"We usually deal with levels of economic growth, so we know what the demand is going to be. The objective of OPEC is to ensure that the demand levels are met, while at the same time looking for stable prices, in the interest of both producers and consumers.

"This (meeting) is a chance for us to make the right decisions to ensure a stable market and also that the economy keeps growing, since it is the global economy

that feeds the increase in energy demand and justifies the producing countries' existence."

Asked if he thought the market was adequately supplied right now and what message he had for consumers, Khelil said it was the view of everyone that the market had more than enough oil. The level of stocks, whether for crude, gasoline or diesel, was ample.

"We see an oversupply. But the concern is more over the future in what is going to happen with the potential for stocks going very high and having to deal with an overhang in the future.

"But OPEC has had much experience with these types of situations in the past and I am sure its Members will take the right decisions this time."

Given the gloomy economic situation, Khelil was asked how this would impact on energy investment. He said he thought that it would depend on the price and on its stability.

"The industry, in general, is very concerned, but there is a lack of visibility for the investor. No one is going to invest now and expect a return in 10 years' time, not knowing what their horizons will be concerning the price.

"Prices going up to $147/b and then falling to $100/b is definitely not good for the investors. But there are those that are investing right now. In fact, OPEC Member Countries are investing some $162 billion just in making production capacity increases, which will come to fruition in three to four years' time."

But Khelil added that there were new areas to consider, such as deepwater Brazil. "I hope they find the resources."

He said that adding to the problem was the three to four times increase in production and service costs for oil and gas facilities and refineries. "These are not the best conditions for investments outside those already committed," he concluded.

## *Gholamhossein Nozari*
### *Minister of Petroleum, IR Iran*

Speaking on the current state of the market, Iranian Minister of Petroleum, Gholamhossein Nozari *(pictured below),* said he thought there was a good balance in the market right now.

"It is important at this meeting to look at the first quarter of next year. If we do not decide about the future now and do not take a decision, the market will be more volatile," he maintained.

"Stability of the market is important for both producers and consumers," he stressed.

The Minister pointed out that declining crude oil prices showed that "we should look at production levels and supplies to the market."

He stated: "All figures show that there is sufficient oil in the market and the price shows that there is more oil than demand warrants. So OPEC must be committed to producing what the market needs. We are hoping that global economic growth will improve, which will be good for the producers."

Nozari said it was important to reach a price and production level that everyone in the market was satisfied with — and which was also good for the market itself.

## *Odein Ajumogobia (SAN)*
### *Minister of State for Energy (Petroleum), Nigeria*

Questioned about the current oil market situation, Odein Ajumogobia (SAN) *(pictured right)*, Nigeria's Minister of State for Energy (Petroleum), said he thought there was a sense that "we are returning to the fundamentals of the market, concerning supply and demand, but I feel it is still too early to definitely say that."

He said the indices of the US dollar were one of the effects of the price spikes seen this year, and speculation was the other.

"I have always maintained that the latter was the most significant factor affecting the price. I think that what we are seeing is a change in that dynamic back to the fundamentals. And it is in the fundamentals that OPEC plays a role in trying to create stability in the marketplace," he stated.

On what could be done to help overcome the volatility seen in prices, Ajumogobia said that, for the time being, it was a case of watching and seeing.

"There are other factors at play, including geopolitics and the situation in the Niger Delta. We went through a very unique period, what with the subprime mortgage crisis and the weakness in the US dollar, speculation and movement into commodities — they all happened at the same time and that is why we saw the unprecedented spike in prices.

"The next thing we have to consider now is where the (price) benchmark is — are we going to go back where we were, or will it be higher as a result of the factors we have experienced?" he said.

The Minister pointed out that the cost of contracting, services and rigs had all gone up and that had also created a new threshold in the industry.

"A year ago, the threshold for oil was about $65/b — today it may be $100/b, or slightly over. It is difficult to say what the level will be, but the market should determine that level," he maintained.

Ajumogobia said there was clearly a disconnect between the paper market and the real market in terms of the costs.

"The costs have not gone down by $40/b over the last seven weeks. We hit a high for crude of $147/b in July and now it is down to $101/b or $102/b today. In my view, that movement cannot be explained in any way other than speculation. I think that as the US economy recovers and there is a balance between demand and supply, we will see a price that both producers and consumers are happy with."

Ajumogobia said OPEC Ministers were aware that if the price continued to be high it was likely to impact demand. "I suspect that is what is happening now. There is a low-

ering of demand in the US, Japan and Europe, but it has not affected the Asian countries to the same degree. It is in our mutual interest to have a price that the market can bear."

Asked about planning for the future, the Minister said: "We have to be sensitive to what is going on around us — to watch the market and see whether it is just supply and demand factors at play. We have not seen that situation in the last six months. OPEC Countries were putting more oil on the market, yet the price did not go down. There is a new dynamic at work here and we have to be vigilant. This is not the time to intervene when there is so much uncertainty and volatility in the market."

Concerning the security situation in the Niger Delta, the Minister said things were better than a year ago and they were making progress in the region.

## *Dr Hussain Al-Shahristani*
### *Minister of Oil, Iraq*

Dr Hussain Al-Shahristani *(pictured right)*, Iraqi Oil Minister, who spoke on his country's domestic situation, said Iraq was currently producing around 2.5m b/d of crude. "We hope to be able to increase this by 200,000–300,000 b/d by the end of the year. Iraq is not included in the production quotas of OPEC."

Concerning OPEC's decision to return to the September 2007 production agreement, he said he thought the new production level of 28.8m b/d, which all Members had pledged commitment to, would help stabilize prices. It would provide the market with sufficient crude, but not flood the market, which would affect prices in a way that would not be to the benefit of producers or consumers.

"The volatility we have seen in the price does not help anyone to plan their oil needs," he stated.

Al-Shahristani said Iraq had a long way to go to reach output levels that would allow it to commit to a certain OPEC quota. "Our needs are far higher than our current output capacity and everyone in OPEC recognizes that. Iraq has not been asked to limit its production."

But he said that as the country progressed with its international oil bidding rounds, developed its fields and reached production of 4.5m b/d or 6m b/d, "then, of course, that will be a different story."

The Minister revealed that Iraq was hoping to have a new bidding round every three months.

"Iraq has around 80 discovered oil fields, with only 27 of them producing. Fifty of the discovered fields are known to hold oil and gas and these need to be developed," he affirmed.

Al-Shahristani said that, in the future, Iraq would fast-track all these fields. The country needed the international oil companies (IOCs) to come and work in Iraq.

"There is significant potential there. Any significant increase in oil production in the world is going to come from Iraq in the coming decades. This cannot be done without the full cooperation of the Iraqi National Oil Company and the IOCs.

"The response we have been getting already is very encouraging. The country is working on its new hydrocarbons legislation which is currently with parliament. The security situation in the country has improved beyond all recognition over the last 12 months and Iraq will see very fast development of its oil resources now and I am sure we will see a lot of activities in the country," he added.

# Observers pledge continued support for OPEC policies

**Three Observers from non-OPEC producing countries attended the 149th OPEC Ministerial Conference in Vienna. In pledging their continued support for the Organization's policies and initiatives, the delegates from Egypt, Russia and Sudan spoke of the challenges facing the international oil industry, OPEC and their own economies. Their following addresses were made to the plenary session of the Conference.**

*Eng Sameh Fahmy, Minister of Petroleum, Egypt.*

## Egypt

*Eng Sameh Fahmy,*
*Minister of Petroleum, Egypt*

This meeting comes during a very important period when the markets are experiencing their highest degree of volatility and uncertainty. We are also witnessing unprecedented production costs for oil equipment, raw materials, offshore and onshore rigs and services, all of which is contributing to a state of uncertainty over oil's future supply and demand and thus affecting the global economy, primarily for developing countries. It is also affecting the issue of security of oil and gas supply for the industrialized countries.

Record high prices during the past few months, and not only for crude oil, but all commodities, have resulted in a global economic slowdown that might lead to a decline in oil demand. Meanwhile, the market is witnessing stable production from both OPEC and non-OPEC countries. Within this framework, and in line with its commitment to support market stability, Egypt has increased its output to a level that has not been achieved since 2003–04.

OPEC is still playing a major role in the markets and

exerting efforts to maintain the optimum production levels. However, softening demand, coupled with increased production, has resulted in a swift decline in oil prices over the past two months, which should stimulate development and economic growth, if sustained over a longer time.

*"Maintaining oil prices in a band that is acceptable to both producers and consumers is a difficult and challenging responsibility for both sides."*
***— Eng Sameh Fahmy***

The challenge is not to have low oil prices, but to keep them in a band that will allow the attraction of more investments in the industry, yet maintain them at a level that is affordable to the consumers. Maintaining oil prices in a band that is acceptable to both producers and consumers is a difficult and challenging responsibility for both sides. It is a responsibility we must all bear together — OPEC and non-OPEC, producers and consumers.

I believe this requires a transparent medium- and long-term strategy that should be adopted by the decision-makers, officials and industry leaders worldwide to lead to a stable and orderly oil market. We now stand at a point in time when the energy question is changing. It is clear that the issue will not be one of costs or price, but security of energy supply, which will be a paramount world priority.

The objective is to achieve progress towards securing energy sources in a timely manner, from the right locations and at a reasonable price. I am confident that we all share the commitment and mutual desire for achieving a sustainable oil industry with reasonable growth throughout the 21st century.

# Russia

***Igor Sechin,***
***Deputy Prime Minister, Russian Federation***

The position of Russia in the energy sphere is completely open. This has been built on the principles of selectability, responsibility, mutual trust and with due respect to the producers in the transit countries. In this regard, we are willing to have a dialogue with all partner countries and intergovernmental institutions, like OPEC. This year marks the tenth year that Russia has been an observer to OPEC Conferences. We actively participate in all your sessions and meetings of experts.

This year has not been easy for the oil market. Looking way back, we saw a dramatic fall in the oil price to under

*Igor Sechin, Deputy Prime Minister, Russian Federation.*

$9/b in 1998; conversely, in July this year it rose to almost $150/b. I would like to point out that the sharp fall in oil prices mentioned (to under $10/b) did not spark much concern within the consumers.

However, it is evident that sharp oil price fluctuations always have a substantial effect on the global economy. The producers and consumers face the same crucial issue — how to secure a reliable supply of crude to meet global demand for energy in amounts that will be necessary to achieve sustainable development, with an economically reasonable price, and by no means at the cost of the destruction of the environment.

As such, these efforts form the concept of global energy security, which is impossible to achieve without a dialogue between Russia and OPEC and without the cooperation of the key players in the energy sector. Today, OPEC has a 42 per cent share in global oil production and, according to many competent experts, this share will continue to grow in the future. The position of Russia in the global oil market is quite solid. With oil production of around ten million barrels/day, we share first and second place with Saudi Arabia. Russian oil and gas companies are an integral part of the global hydrocarbons industry. Investments in the Russian oil production sector have proven to be highly efficient in recent years.

*"... cooperation with OPEC is one of the priorities of Russia. Our partnership offers good opportunities for a balanced and constructive position for producing countries in the international arena."*

***— Igor Sechin***

Russian companies are consistently implementing joint projects in production, transportation and refining, including projects with OPEC Member Countries. Russian producers have also gained the reputation of being reliable suppliers of the raw materials required.

With the aim of stabilizing the oil market, Russia, like OPEC, is interested in predictability and transparency of all sectors, including new areas that might affect market competition.

One of the challenges facing the industry in the future is the monopoly of service companies in the oil and gas markets. This monopoly is having a substantial effect on oil prices — something which has been talked about for some considerable time.

There is insufficient transparency in global oil trade and a lack of knowledge and information for all oil market participants. We also believe that financial instruments oriented to oil have been unreasonably overweighed. We have been faced with a situation whereby operations on financial markets have created additional risks. Potential speculative manipulation of oil prices should be thoroughly investigated.

Long-term direct contracts between the leading oil producers and buyers could be one of the most important instruments in solving the issue of fluctuating oil prices.

The position of Russia in all these challenges is well defined. Uncertainty over oil prices can — and should — be resolved by the global community. We believe that the challenges can only be overcome by putting together the efforts of producing and consuming countries.

I would like to point out that cooperation with OPEC is one of the priorities of Russia. Our partnership offers good opportunities for a balanced and constructive position for producing countries in the international arena.

But our preparations for the future should not only be limited to fair market rules and pricing — there is a far greater potential. This could include joint participation in large-scale projects with Russian oil and gas companies. This is precisely why we initiated a direct energy dialogue with OPEC with the key aim of securing long-term visibility of the oil market in the interests of all its participants.

We have prepared a draft memorandum of understanding which we have submitted to Conference President, Dr Chakib Khelil, and Abdalla Salem El-Badri, Secretary General. From our side, I would like to say that Russia is — and will — remain a constructive partner in global energy markets.

# Sudan

*Al Zubair Ahmed Hassan,*
*Minister of Energy and Mining, Sudan*

I want to congratulate OPEC on maintaining its levels of production over the last half year. As has been agreed between OPEC and non-OPEC producers, the problem in the market is not one of supply and demand, but as a result of other factors, such as the role of the financial markets, the weakness of the US dollar, and international security and political issues.

The cooperation established between OPEC and non-OPEC countries should continue to make the markets more stable. But the problem is deeper than one of oil prices — it is a problem of the international economic situation, which requires more structuring in global economies. This situation is now harming the poor countries, not only in relation to food, but also equipment and medicine, with all prices being inflated.

*"Sudan will continue to cooperate and coordinate with OPEC and other oil producers to have a stable and sustainable pricing system that would be beneficial for the consumers and the producers."*
*— Al Zubair Ahmed Hassan*

*Al Zubair Ahmed Hassan, Minister of Energy and Mining, Sudan.*

Sudan is producing around 500,000 b/d of crude oil and we think output will continue to increase to 600,000 b/d by the end of next year. This oil has given Sudan one of the highest levels of economic growth in Africa and has helped with the country's inflation and economic development.

As a new member of the 'oil club', we are committed to the environment and we aim to use our oil as a tool to boost the country's main agricultural sector.

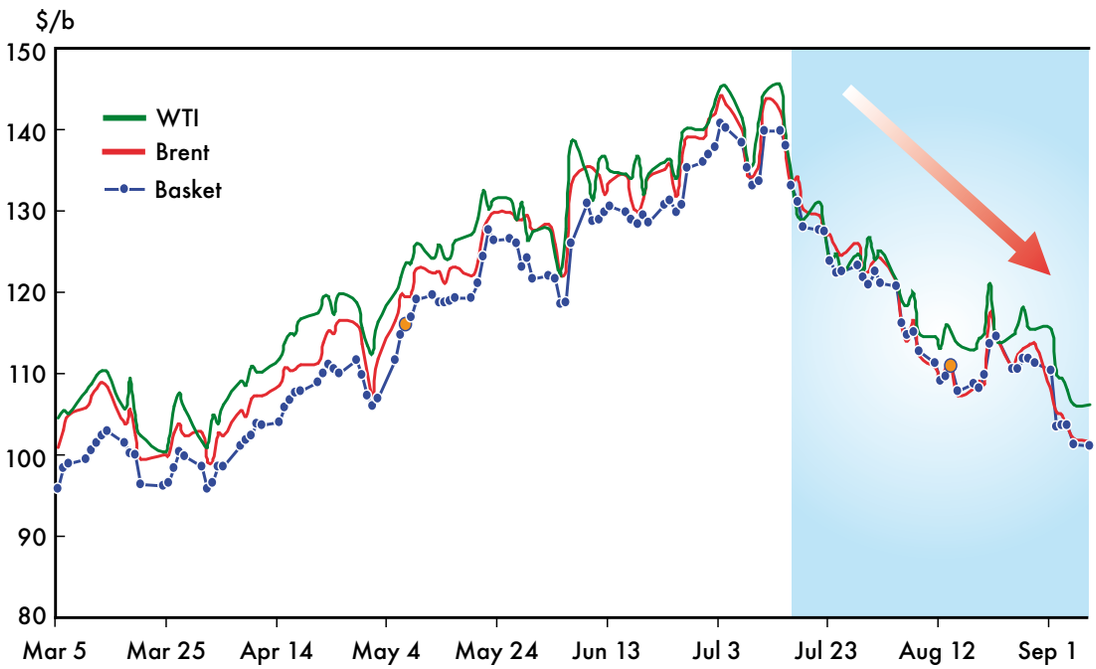
Sudan will continue to cooperate and coordinate with OPEC and other oil producers to have a stable and sustainable pricing system that would be beneficial for the consumers and the producers.

# Secretariat report urges closer, more frequent scrutiny of oil market situation


*Mohammad Alipour-Jeddi, Head of OPEC's Petroleum Market Analysis Department.*

Each and every OPEC Conference is supported by a number of invaluable reports that are vital for the decision-making process of the Organization's Member Countries. Through the acquisition of timely data, coupled with forecasts and projections, the Ministers are able to make accurate and effective assessments of what is required to maintain balance and order in the international oil markets. The following report on oil market developments is one such example of the wealth of information that was made available to the Ministers at their 149th Meeting of the OPEC Conference in Vienna. 'Highlights of the oil market situation' was delivered to the Conference by **Mohammad Alipour-Jeddi**, Head of the Secretariat's Petroleum Market Analysis Department (PMAD).

**Graph 1**
**Oil price developments (2008)**



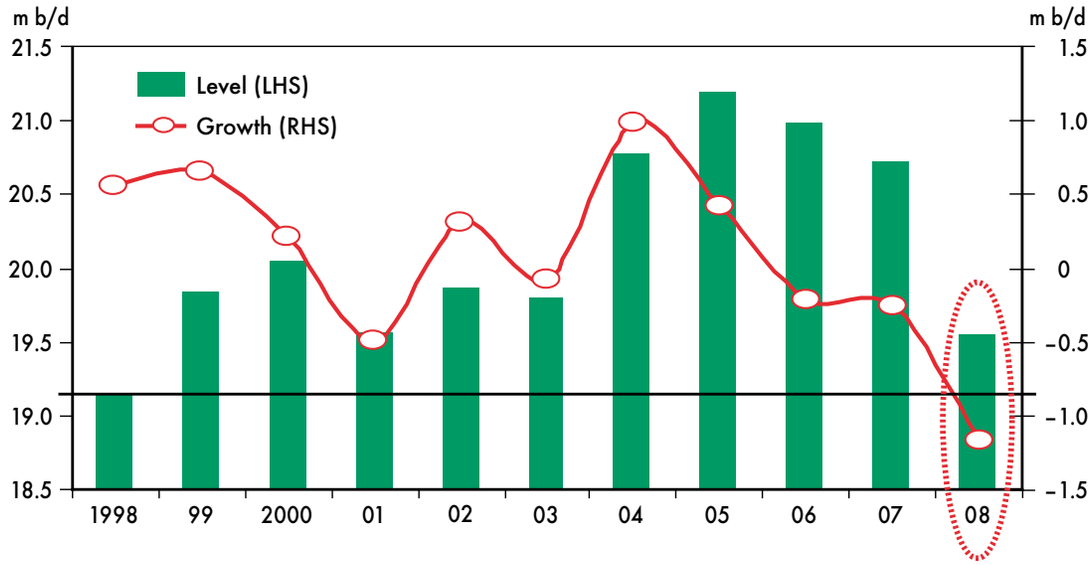

This review of the oil market situation comes at a time when there is more consensus regarding the future direction of the market. There has been a shift of market sentiment and speculative forces have been weakened relative to the fundamentals. This is very different from the situation seen during the last meeting of the Ministerial Conference when the market was experiencing market dualism — with rising prices coinciding with weakening fundamentals.

Since the last Meeting of the Conference in March, oil prices experienced a continued upward trend until mid-July, with the OPEC Reference Basket (ORB) reaching a peak of over $140/barrel and West Texas Intermediate (WTI) reaching $145/b. The factors behind this rise include the perception of a supply shortage, mainly promoted by investment bank reports predicting ever-higher oil prices. This was coupled with increased geopolitical tensions in the Middle East and West Africa, persistent US dollar weakness, a combination of which fed speculative pressure, as well as tightness in the diesel market. As can be seen in ***Graph 1***, the picture has changed significantly since mid-July, with prices falling rapidly in an overheated market, declining in the last seven weeks by around 30 per cent, or nearly $40/b, to return to the level last seen in March.

## *The downward price trend*

I will now examine the main factors behind this sharp downward trend. The continued deterioration in OECD economic growth has resulted in a significant downward

**Graph 2**
**US oil demand**

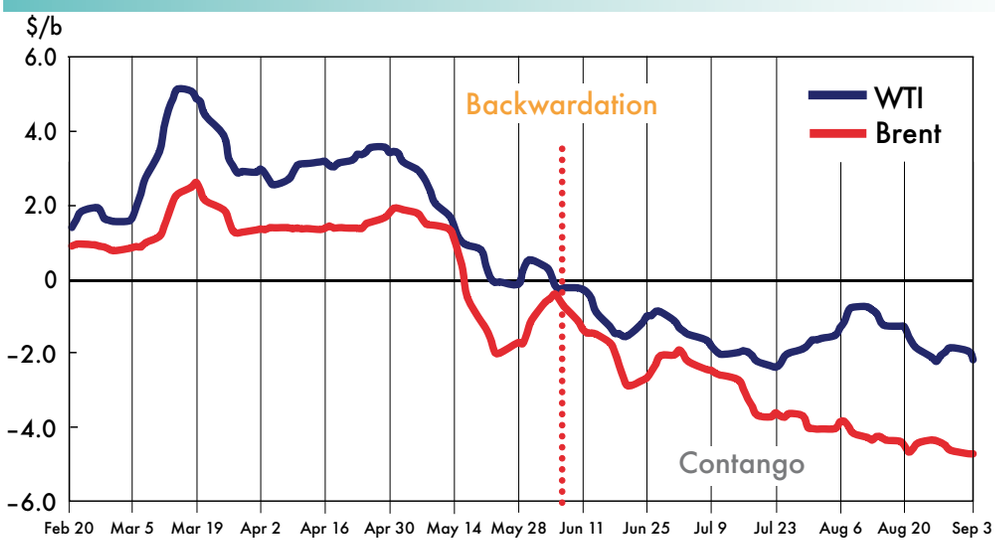



revision since September 2007, with recent data showing contraction and negative growth in the Euro-zone and Japan in the second quarter of this year. As a result of this weaker economic outlook and high fuel costs, oil demand has been declining sharply in the OECD countries, particularly in the US. As can be seen in ***Graph 2***, latest information shows that June oil demand in the US was at its lowest level since 1998.

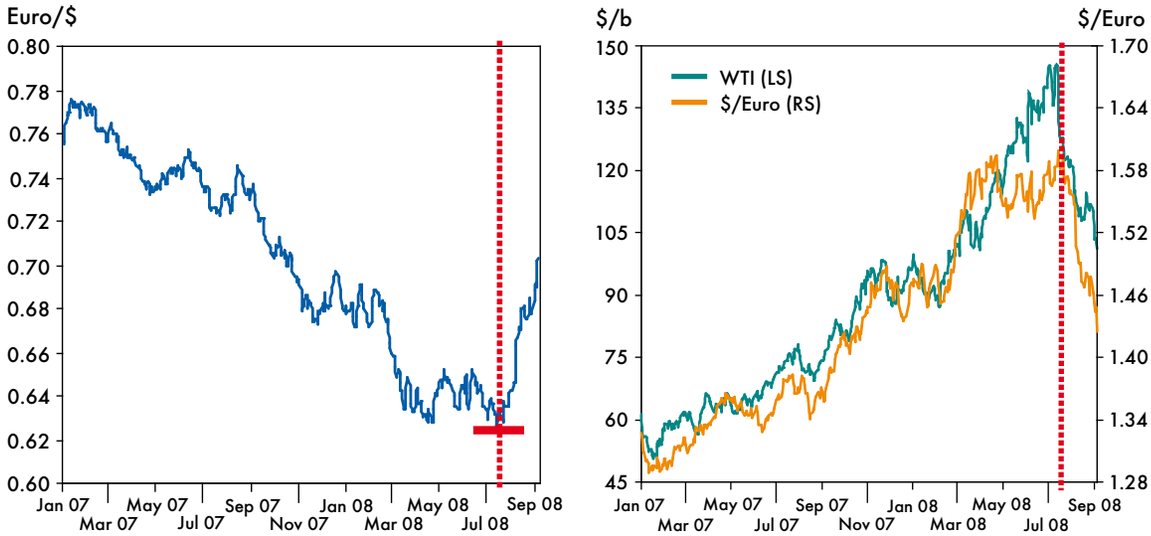
Another important factor is the increase in oil supply due mainly to higher OPEC output, which contributed to a shift in market perception. This helped to remove the perception of a supply shortage and, as can be seen in ***Graph 3***, the market has switched from backwardation to contango since May, which should encourage crude oil stockbuilds.

***Graph 4*** shows the financial market indicators of the current price reversal. The long downward trend in the value of the US dollar has broken and the US currency has seen a steady recovery since July. The correlation between the dollar and oil prices has continued

**Graph 3**
**Market structure switch (2008)**



**Graph 4**
## Indicators of market price reversal

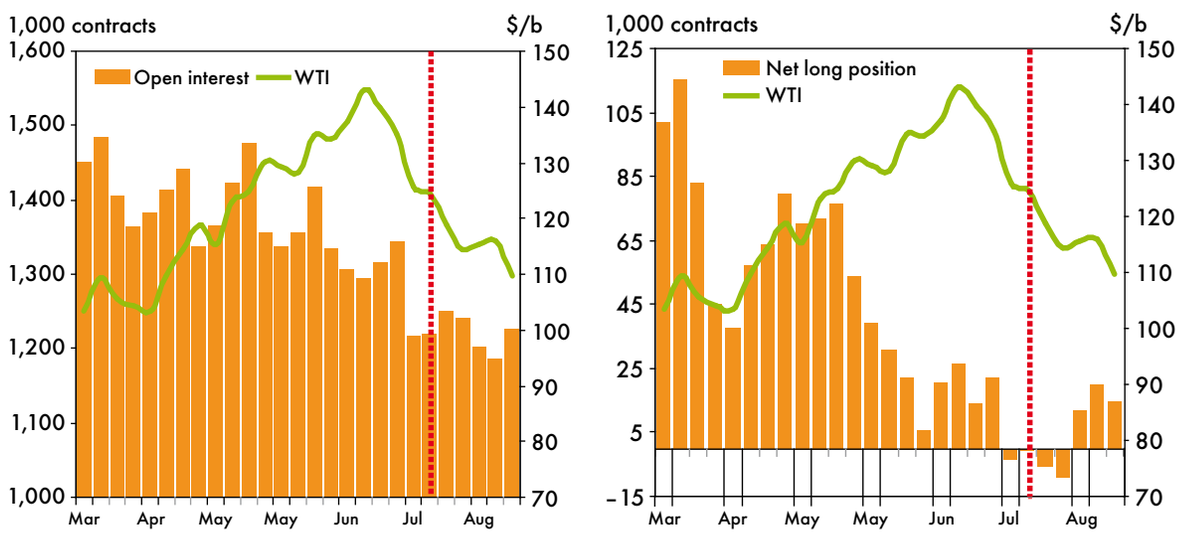



to be strong with the recent appreciation of the US dollar being accompanied by a fall in oil prices.

The shift in market psychology since July, as bullish sentiment changed significantly to a bear market, has caused speculators to start pulling out from the paper oil market. As can be seen in ***Graph 5***, open interest volume has fallen steadily as crude oil prices declined. A similar trend can be seen in non-commercial net long positions, which have fallen, and even flipped to net short in August. Overall, with the obvious improvement in market fundamentals, it has become very difficult for financial players to continue selling the idea that the market is tight. As a result, the associated premium has been reduced, and this has been seen over the last few weeks. The mild reaction to the Russia/Georgia situation, as well as the impact of hurricanes Gustav and Ike, indicates that the market has a reduced sensitivity to temporary supply outages. However, the recent series of hurricanes reminds us that these risks should not be ignored.

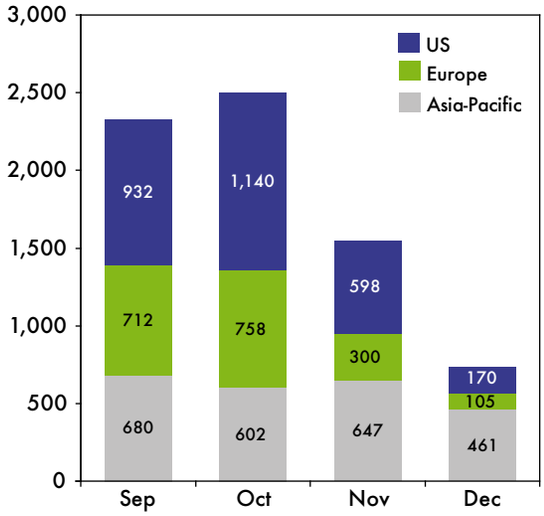
The product paper market has also been bearish.

**Graph 5**
## Indicators of market price reversal (2008)

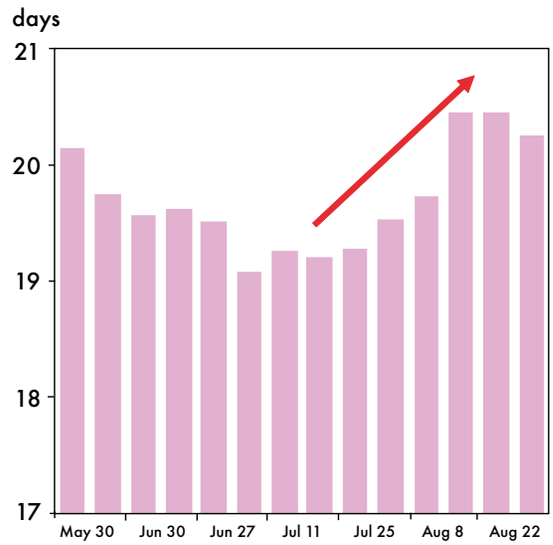


**Graph 6**

## Refinery maintenance (2008)



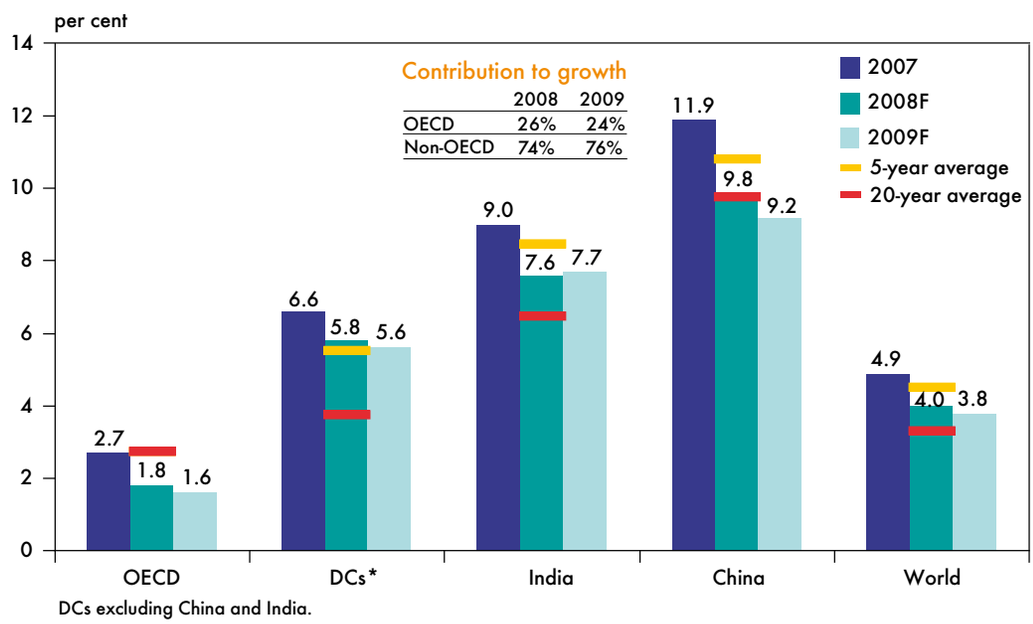

## US crude stocks: days of cover (2008)




Looking at the month ahead, this kind of bearish sentiment may weaken further with the end of the summer driving season, as well as due to additional new refining capacity coming onstream in Asia and the Middle East in the fourth quarter of this year and into 2009. Additionally, as can be seen in ***Graph 6***, autumn refining maintenance should lead to a further decline in demand for crude oil of around 2 million b/d. This should support crude oil stock builds, both in absolute terms and in days of forward cover, reinforcing the trend that is already being seen in the market. However, this trend will be somewhat arrested over the coming weeks as the result of the hurricanes. Later in the year, winter weather conditions will also have an impact on demand, and hence on stocks.

**Graph 7**

## World GDP growth




DCs excluding China and India.

## *Further easing in 2009*

Looking ahead, the market is expected to ease further in 2009. Starting with the world economy, global gross domestic product (GDP) growth is forecast at four per cent this year and 3.8 per cent in 2009, which is over one per cent below the rate achieved in 2007. As can be seen in ***Graph 7***, this is now below the five-year average, yet still above the 20-year average. This is mainly due to the OECD region, where GDP growth is now well below the 20-year average. The OECD region has further slowed in 2008 and is expected to remain weak in 2009.

In the US, the continued recession in the housing sector, the credit tightness, as well as inflationary pressure, are delaying the country's recovery, which is now expected towards the latter part of 2009.

As for developing countries in the non-OECD region, some mild deceleration is taking place, although the growth rate still remains strong. However, an additional slowdown in the OECD region might put further pressure on developing countries' export sectors.

For China, GDP growth is now falling from very high rates of around 12 per cent towards the government target of below ten per cent. Overall, risks to the world economy are on the downside.

Global oil demand is expected to grow by 900,000 b/d in 2009, which is at a slower pace compared with the previous year. This is the lowest growth since 2002 and 200,000 b/d below the last 20-year average.

As can be seen in ***Graph 8***, non-OECD oil demand growth will continue to account for all oil demand growth in 2009, offsetting growth forecast in the non-OECD region.

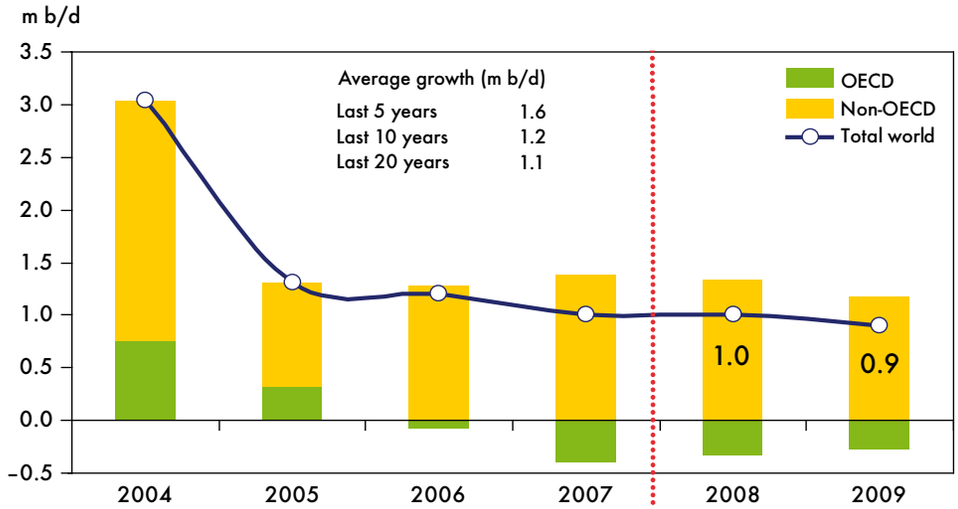
Non-OPEC supply is expected to show a relative improvement in 2009, increasing by around 900,000 b/d. And OPEC natural gas liquids (NGLs) are now expected to increase by 700,000 b/d, to represent more than 40 per cent of total non-OPEC growth. Therefore, the increase in total non-OPEC supply growth is expected to outpace the rise in world oil demand, as can be seen in ***Graph 9***. As a result, demand for OPEC crude oil is expected to decline by 600,000 b/d in 2009, which is the difference between demand and total non-OPEC supply, which includes OPEC NGLs and non-conventional oils.

Data for the first half of 2008 show that non-OPEC supply growth was lower than demand growth, but the picture is going to shift in the second half of 2008 and in 2009, especially during the first half of next year, as non-OPEC supply growth improves and demand growth continues to weaken.

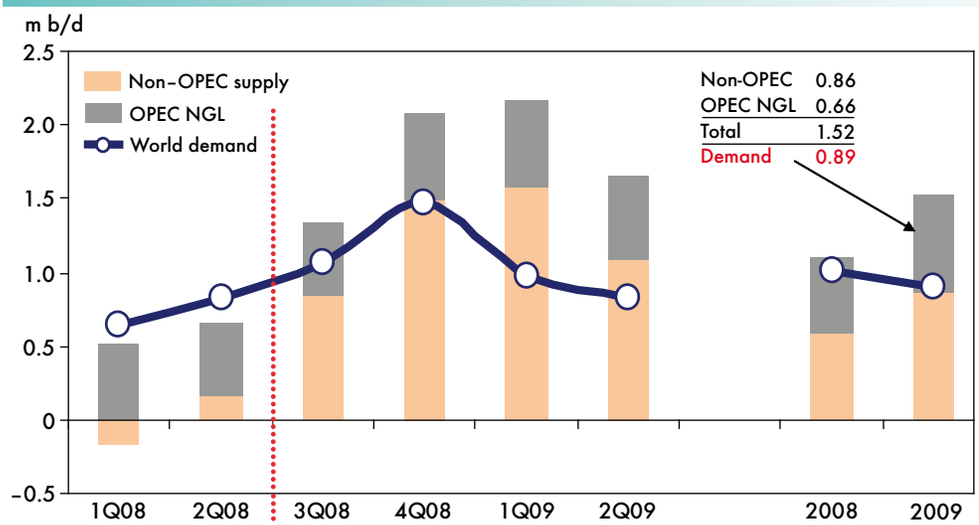
However, the outlook for demand for OPEC crude oil is subject to considerable uncertainties which affect both demand and non-OPEC supply.

Overall, the current bearish trend is expected to continue and in the light of the existing uncertainties, more frequent and closer monitoring of market conditions will be required.

**Graph 8**
**Oil demand growth**




**Graph 9**
**World oil demand, non-OPEC supply growth**




# Open for business

After years of underperformance, the Republic of Iraq is trying hard to move its oil industry forward. But opening up a national industry to foreign investment often provokes passionate reactions from a variety of interests. The *OPEC Bulletin's*, ***Steve Hughes***, talks to the man at the helm, Oil Minister, **Dr Hussain Al-Shahristani**, about Iraq's decision to court international oil companies and whether it is likely to achieve the desired results.

Waiting in the lobby of Vienna's Intercontinental Hotel for an interview with Iraq's Minister of Oil makes one thing perfectly clear. Dr Hussain Al-Shahristani, a nuclear scientist who was imprisoned in Abu Ghraib during the Saddam Hussein regime, is a very busy man. No sooner is one person ushered out of his hotel suite than another eagerly rushes in. It seems that Al-Shahristani's morning has been made up entirely of these back-to-back meetings — not just with members of the media, but also with a myriad of oil market players. And this despite the fact that the night before, he attended the 149th Meeting of the OPEC Conference — an event that continued well into the small hours of the morning *(see page 4)*.

It is not really surprising that everyone wants an audience with Al-Shahristani. The Republic of Iraq has ambitious goals and he is playing a very prominent part in getting things moving. As the head of Iraq's Ministry of Oil, his job is to reverse the underperformance that has beset the country's oil industry during the past decades. To provide Iraq with the much-needed technological know-how to support this, the Ministry has announced that it is to open up its oil industry to foreign investment. This, it is hoped, will provide the financial fillip to post-war reconstruction and the basis for a new, secure and prosperous Iraq.

Al-Shahristani has stated before that he expects this year and next to be characterized by reconstruction and "major projects". Such projects will contribute towards a medium-term plan to 2012 that involves hitting a new oil production rate of 4.5 million barrels/day — up from approximately 2.5m b/d today — as well as doubling current refining capacity, upgrading the distribution network for oil products and increasing the country's already sizeable proven reserves of 115 billion barrels. Indeed, the 4.5m b/d target may be conservative. One of the first things that Al-Shahristani now points out is that Iraq could produce quite a lot more oil.

## *Difficult situation*

But the fact is that, currently, Iraq is still producing around 2.5m b/d. Al-Shahristani, remarkably calm and composed given his heavy schedule, is all too aware of this. "Iraq, having the second-largest proven oil reserves in the world, is not producing in proportion to its reserves," due to the policies of the previous regime, he explains candidly. "Iraqis have done great jobs under very difficult situations to maintain their production at the levels they are producing now ... but Iraq can easily

produce 6m b/d." It is for this reason that Iraq is opening up to international oil companies (IOCs), explains the Minister, and certainly not because of US pressure, as some commentators have reportedly suggested.

Questions concerning US influence were particularly rife when Iraq seemed on the verge of awarding six 'no-bid' technical service contracts to western oil companies. Just days ago, however, Iraq announced that these contracts had been scrapped. The *Middle East Economic Survey* reported that the contracts had run into political opposition with parliamentarians objecting to a lack of competition. Al-Shahristani, however, explains that the no-bid contracts were only envisaged as "bridging contracts" to help Iraq "arrest any decline in production and increase it by about half a million barrels" in the short-term. He explains that a decision was taken to shelve them simply because of the time factor: "There is only nine months left before the full field development contracts come into effect by mid-next year, [so] we have agreed with the IOCs that these contracts are not going to serve their purposes within such a short time. And there is not much that the IOCs can do to help Iraq during this period. Even the equipment cannot be delivered within such a short time."

Al-Shahristani completely refutes any claim that the contracts would have represented an unfair foot-up for western oil companies. "This is absolutely not the case — these technical support contracts were to help Iraq," he says, in no uncertain terms. "These companies would have been charging us service fees and the cost of the equipment … the equipment would have been totally owned by Iraq, and the increases in production would have been totally owned by Iraq. They [would have] had no title and no right to the oil produced, so any talk [of] having access to that oil, or sharing that oil, or booking the reserves of those fields, is completely not true." He is similarly unmoved by the criticism that the 'no-bid' aspect would have led to uncompetitive awards: "We [had] selected what we thought were the best qualified oil companies with the best experience … to advise us, to work with us, on a plan that we [would] implement."

## Explosive interest

Iraq has already announced its first round of bidding and has asked companies that are interested to submit their documents for qualification. Unsurprisingly, given the country's huge reserves, and especially given that Al-Shahristani has never been shy about Iraq's potential, there has been explosive interest.

*Dr Hussain Al-Shahristani, Minister of Oil, Iraq.*

"Iraq has perhaps the largest undeveloped resources in the world," he said in a recent, separate interview, available on the OPEC website. "Of the 80 discovered oil fields, we have confirmed reserves of 115bn b. But we have another 400 structures which we have not even explored."

Well over 100 companies have applied and around a third of them have qualified for the next round. A London meeting, planned as the *OPEC Bulletin* went to press, was set to provide the successful companies with the finer details of the opportunities on offer. All are long-term technical service agreements relating to Iraq's already producing, super-giant fields. The Minister says that the companies will have six months to get their houses in order and to make their offers, and that he expects to sign the contracts before the middle of next year.

Al-Shahristani has already made headway. Recently, the media reported that Iraq had signed its first major upstream deal with an international oil company since the 2003 US-led invasion — a 20-year, $3 billion agreement that has been renegotiated with China's CNPC. Predictably, the reports of this deal were not free from criticism, even though Iraq has succeeded in changing the original production-sharing contract into a more favourable 'set-fee' deal. Some criticized the amount that CNPC would get — $6 per barrel — as overly generous. Others were reported to be unhappy about the way CNPC appeared to have leap-frogged to the front of the Iraq oil queue.

## A good deal

Al-Shahristani addresses these claims patiently: "We do not feel the service deals that have been offered are outside the norm ... and we have not really selected CNPC without bidding on this particular field. We simply revised a contract that had already been signed and had the full legal force behind it," he says. "And we think we have accomplished for Iraq quite a bit if you look at the details of the commercial terms."

Doing what he suggests by looking at the small print supports his argument. The CNPC's $6/b fee reduces significantly, depending on the amount of investment the Chinese firm makes, he explains. It is $6 only when CNPC has invested more money than it has received. But once the firm has recouped its investment, the amount it receives per barrel falls very quickly until it reaches $3/b. "We do want to give incentives to the companies to come and start working in Iraq and develop oil fields as fast as they can," says Al-Shahristani. "And in this particular case, we think it was a good deal."

The CNPC contract — as well as a recent agreement signed with Shell to help develop the Basrah region's gas industry — shows that Iraq's much-reported failure to pass a hydrocarbons law is not unduly impinging on its progress. "After serious efforts to reach some kind of agreement [on the law], we realized that [the] differences would not be sorted out quickly," the Minister explains, blaming Iraq's political climate and the differences among political groups in parliament. "We decided in February ... after a year of waiting, to move ahead."

The lack of a hydrocarbons law should not deter IOCs, says Al-Shahristani, explaining that the processes adhered to in the run up to signing the CNPC deal will act as a good guide for future deals. "That contract was initialized and taken to the cabinet," he says. "It was approved quickly and that will be the procedure that we will follow for any future contract. I do not think IOCs need to be concerned about delays for the hydrocarbons law. The prevailing law [will] give them the full protection that they need and any deal that they sign with Iraq will be presented to the cabinet and will have the full support of the Iraqi government."

## Short shrift

IOCs that seek to bypass the central Iraqi government, however, will receive a much shorter shrift. "The contracts that were signed by the Kurdistan Regional Government (KRG) were in violation of the current laws and in violation of the draft hydrocarbons [law] that was agreed with them, therefore we have announced that those contracts are not standing with Iraq," says Al-Shahristani, referring to the deals that the KRG has already signed with IOCs, to the chagrin of the central powers. "Foreign companies have no right to work on Iraqi territory without the approval of the central authority and they deal with the consequences of their actions," he warns. "And any oil produced in Iraq or taken out of the country without the approval of the central government is considered smuggling and will be dealt with as such. That position remains for the Iraqi government and we again draw to the attention of the IOCs that any contract with these sides without the approval


*An oil tanker at Iraq's Basrah port.*

of the central government is illegal and they will be not allowed to participate in any bid rounds in Iraq."

Looking ahead, Al-Shahristani is optimistic. He is already preparing to launch a second bid round before the end of the year and more in the future. "We are going to move at a fairly fast pace, perhaps a bid round every three months," he explains. "There is such a great potential ... any significant increase in crude oil production in the world is going to come from Iraq in the coming decades." He is also looking forward to re-establishing the Iraqi National Oil Company — dissolved under the previous regime — to work in partnership with the IOCs. "The Iraqi partner in all the field developments will be the Iraqi National Oil Company," he says. "So the Iraqi National Oil Company is going to be a very important player. It will be a partner — in many cases the major partner."

## Safety first

For his country to enjoy the kind of reconstruction that Al-Shahristani foresees, Iraq needs security. But he believes that this is already well on its way. "The security situation in the country has improved beyond recognition over the last 12 months," he says. "You can see this by people staying on the streets until 12 o'clock at night with their kids, women taking their children to the park, to school and so on. So there's a definite feeling of a secure environment. This has encouraged a number of oil companies."

The Minister also remains adamant that "Iraq is going to witness a very fast development of its oil resources." But not just this. He also appears determined to ensure that Iraq's oil wealth is enjoyed by all of Iraq's people. He has time and again argued that opening up Iraq's oil industry to foreign investment will be done for the benefit of Iraq's people, and for no one else. While it is reassuring that such an important reconstruction project is so closely monitored by the international media, perhaps now, as the service contracts are signed and production is ratcheted up more quickly than ever before, it is about time people started to have more faith in Iraq's Ministry of Oil.

*Dr Hussain Al-Shahristani, Minister of Oil, Iraq with the OPEC Bulletin's Steve Hughes (r).*

# EASTERN PROMISES

The Russian Federation has been attending Meetings of the OPEC Conference as an observer for the last ten years. A major participant in global energy markets, it has increasingly found commonalities with the Organization's aims and objectives. This year, at the 149th OPEC Ministerial Meeting held in Vienna in early September, Moscow sent a high-level delegation, led by Deputy Prime Minister of the Russian Federation Igor Sechin who, in comments to the plenary session and in an interview for OPEC's Webcast, spoke about prices, production — and the promise of a better, more stable global energy future through stronger relations with OPEC. *Alvino-Mario Fantini* reports.

*Rosneft oil rig seen at the Vankor oil field in eastern Siberia, about 2,800 km east of Moscow.*

AP Photo

RUSSIA is an important player in the global arena. To begin with, the country is massive. Geographically speaking, it is the world's largest country with 11 time zones over a total area of 17,075,400 square miles. It is also home to Europe's largest river (the Volga), its largest lake (the Ladoga) and the world's deepest lake (Baikal).

More importantly, however, Russia sits on vast reserves of both oil and gas. According to the US Geological Survey's 2000 *World Petroleum Assessment*, mean estimates of Russia's oil and natural gas liquid resources were put at 454.5 billion barrels. More specifically, the country's proven oil reserves (as of January 1, 2008) were 60bn b and its estimated 2007 oil production reached 9.8 million barrels/day, according to various sources consulted. Its proven natural gas reserves (as of January 1, 2008), were estimated to be 1,680 trillion cubic feet, while gas production reached 23.09 tcf in 2007.

Economically, the country's oil and gas sector is a foundation of its success. Its energy sector offers a degree of vertical integration that facilitates the coordination of many aspects of the hydrocarbons industry. This has allowed Russia to efficiently maintain a robust gross domestic product (GDP) growth rate. In 2007, this figure was gauged at 8.1 per cent, which exceeded the rate of growth in all other G8 countries. The oil and gas industries, of course, account for more than 20 per cent of this impressive GDP. A recent World Bank study estimated that 30 per cent of all foreign direct investment goes to oil and gas projects, and that the country's hydrocarbons business generated more than 80 per cent of the country's export revenues.

*Igor Sechin, Deputy Prime Minister of the Russian Federation.*

The increasing diversification of the country's economic structures and greater openness to foreign companies is also helping to further stimulate the development of Russia's oil and gas sector. With numerous joint ventures and "production-sharing agreements" with international oil companies, Russia has learned to benefit from the growing interconnectedness of an increasingly globalized world economy. It has pursued collaborative arrangements with both private and public sector entities and it has started to float some of its larger companies on foreign exchanges.

From exploration and production, to refining and transportation, Russia has found the energy, capital and talent with which to participate ably and effectively in all areas of the hydrocarbons

*Dr Chakib Khelil (l), President of the OPEC Conference and Algeria's Minister of Energy and Mines, welcomes Sergey Shmatko (r), Minister of Energy of the Russian Federation.*

industry. It seems, then, only natural that Russia continues to be a keenly interested observer at Meetings of the OPEC Conference.

## Moscow dignitaries

The 149th Meeting of the OPEC Conference on September 9, however, was particularly noteworthy. Russia's observer delegation included more than a dozen government officials and business leaders. The size and composition of the delegation have widely been interpreted as signs that Russia intends to strengthen its relations with OPEC. In fact, "cooperation with OPEC is one of the priorities for Russia," said the head of the delegation, Deputy Prime Minister, Igor Sechin, a man of broad experience and considerable achievements.

A successful businessman and experienced political strategist, Sechin has had a long and distinguished career. Talented with languages, Sechin studied at Leningrad State University, where he learned French and Portuguese. He then served in developing countries like Angola and Mozambique, before becoming adviser and chief of staff to former Russian President Vladimir Putin. He currently also serves as Chairman of the Board of Rosneft, Russia's second-largest oil company.

Other members of the Russian delegation to the 149th Meeting included Sergey Shmatko, Energy Minister, Sergey Bogdanchikov, President of Rosneft; and Vagit Alekperov, President of Lukoil, the country's largest private oil company.

## Production and capacity

One issue that has been much in the news recently is Russia's overall and spare production capacity. According to several sources, the country's oil production this year was modestly lower than in 2007. But Sechin, speaking through an interpreter, said that "forecasts and prognosis is a tough job." The world in which we live today is so much more complicated than before and there are often variables that arise spontaneously, that cannot be foreseen, he said. "Not all factors can be taken into consideration."

Still, the oil and gas sectors in Russia are much more stable than they are in many other countries, Sechin explained, with production levels alone indicating certain stability. "Last year," he said, "Russian companies produced about 490 million tonnes of oil — approximately the same forecast we have for this year." Moreover, he noted that some industry analysts have suggested that

oil production might even be a little bit higher this year — possibly reaching 495m t.

"Maintaining that level of oil production," Sechin explained, "will depend on putting onstream new fields — first of all, the Talakan field." This new project is located in East Siberia, he explained, "and will service the resource base of the Eastern Siberia-Pacific Ocean (ESPO) pipeline that we have constructed from Tayshet to the coast of the Pacific Ocean." The pipeline will connect Tayshet to Kozmino Bay, southeast of the city of Nakhodka.

In addition, there are other field development projects that promise to start production soon. These include a field in the so-called Bolshekhetsky depression above the Arctic Circle, for which the partnership between TNK and BP purchased eight development licences in 2006. Rosneft also "promises to start production from its Vankor field next year," Sechin said. The field, located in the northwestern part of Western Siberia, has more than 400m t of crude oil reserves, according to recent statements by company president, Sergey Bogdanchikov.

There is also Gazprom's offshore Prirazlomnoye field in the Barents Sea (with recoverable reserves of 46.4m t and an expected annual production level of 6m t, according to company data) and Lukoil's South Khylchuyu field in the Nenets region, northwest of Moscow.

With these and numerous other projects that are expected to come on-line soon, Sechin said, "the focus of production is quite optimistic." But he noted that the actual timing of putting these fields onstream — and the time schedule for completing the construction of the main trunk pipeline, the so-called ESPO pipeline, currently

*Sergey Bogdanchikov, President of Rosneft, Russia's second-largest oil company.*

*Rosneft employees work at the Vankor oil field in eastern Siberia.*

Reuters

being built by Transneft, operator of Russia's vast network of pipelines, "will depend a lot on the price of oil."

These current and ongoing field development activities promise to further increase Russia's reserves. For the past few years, analysts have been raising concerns over the continuing exploitation of increasingly anaemic older fields in Russia and the possibility that spare capacity would fall. But when asked about Russia's true spare capacity, Sechin responds without hesitation. "The reserve structure of companies that operate in Russia is quite good," he said. He cites industry estimates which, for example, have Rosneft, with production of 1.6m b/d, "taking a leading position worldwide."


*Pipeline under snow in Russia's Arctic Far North.*

## Foreign companies

Most of the country's reserves are located in Western Siberia, between the central Siberian plateau and the Ural Mountains. Understandably, there has been continuing interest in finding ways to partner with foreign companies to explore and develop new fields in this region. The recent public dispute between the partners in the TNK-BP joint venture does not seem to have dampened any interest in collaborative ventures.

Sechin took a few moments to explain the sources of that conflict. "The structure of the shareholding generated the conflict," he said, pointing to the 50:50 division of the shares. Since both parties had the same shares, "they could not arrive at a prompt decision in the interests of developing the company," Sechin explained. And, thus, certain questions were not dealt with at the initial stages, leading to conflicts at later stages, he said.

But at present, the conflict is over, he noted. "We are very happy about it, since BP brought new technologies, a management culture, transparency," he said, while its Russian counterpart ensured a good reserve structure for the company, allowing the firm to develop on a long-term basis. Pointing to the company's market value — which, last year increased to approximately $55 billion — Sechin noted that the economic results are proof of the desirability of such cooperation and joint ventures with Russian companies.

Sechin noted that Russia's large oil companies have become international firms and are well integrated into the global economy and international financial system. As of August 2002, for example, Lukoil has had American Depositary Receipts (ADRs) traded on the London Stock Exchange. At the beginning of 2007, Lukoil had 15,715m b in proven reserves (which it states represents 1.3 per cent of global oil reserves). It has an annual turnover of more than $80bn and last year had a net income of $9.5bn. It also had the distinction in 2007 of being the foreign company with the second largest trading volume on the London Stock Exchange.

Similarly, Rosneft successfully placed 13 per cent of share capital on the London Stock Exchange in 2006, valuing the company at nearly $80bn. Historically, this was the largest offering ever of a Russian company. Shareholders include BP, Malaysia's Petronas and the Chinese National Petroleum Corporation. The Kremlin retains a majority of the outstanding shares.

There is also Gazprom, which has 50 per cent of its shares publicly listed. Its ADRs — which went public in 1993 — now trade on the London Stock Exchange, too. "I can extend this list of examples," Sechin added. "All those companies are closely connected with Western markets. They are a part of it," he said.

As a result of these forays into the global arena, Sechin said Russian oil companies have gone from being unique national entities to mainly international companies. "The Russian oil industry is deeply integrated into the global oil markets," Sechin said. "And we are not only suppliers of crude oil and related products, but now also have foreign shareholders in the equity of Russian companies."

In fact, the share of foreign companies in the total equity of oil and gas companies in Russia currently reaches 25 per cent — a commendable level considering the country's efforts at economic reform over the past decade-and-a-half. Furthermore, "these investments in Russian oil production have recently been shown to be highly efficient," he noted.

## Multilateral relations

The reality of Russia's deepening integration into the world's capital markets, and its increasing openness towards foreign investors, is something that Sechin seems to view as underscoring the need for increased dialogue and cooperation with national governments — and multilateral organizations like OPEC.

Broadening relations with OPEC, he emphasized, is one of Russia's priorities. Such a partnership opens new opportunities for ensuring a well-balanced approach and constructive engagement with oil-producing countries. "That is why we sought to establish a regular energy dialogue with OPEC with the basic goal of ensuring

*Igor Sechin, Deputy Prime Minister of the Russian Federation (r), and Sergey Shmatko, Minister of Energy (l).*

market sustainability in the interest of all participants," he explained.

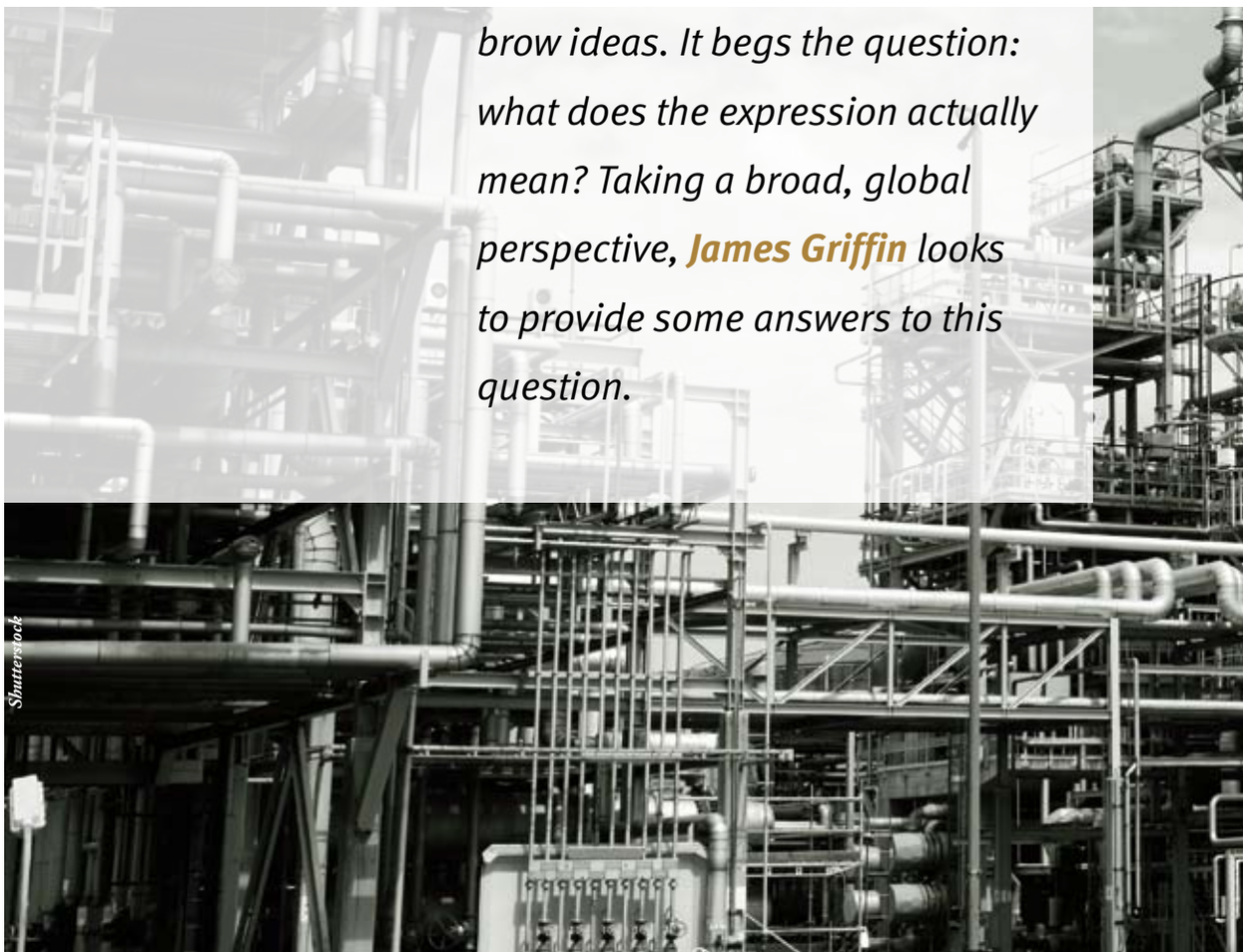
Sechin noted that "OPEC countries today have 42 per cent of global oil production, and in the future, according to experts, this share will only grow." At the same time, he said that Russia currently produces about 10m b/d. "With that indicator," he said, "we share first or second position with Saudi Arabia."

Clearly, the natural affinities between OPEC and the Russian Federation are increasingly apparent. But in addition to improved dialogue, there is far more ambitious potential, Sechin said. "This could include joint participation in large-scale projects with Russian oil and gas companies." From our point of view, Sechin said, "we hope to find adequate opportunities offered by our partners — including our partners from OPEC."

*Abdalla Salem El-Badri (r), OPEC Secretary General, meets with members of the Russian delegation (r–l): Igor Sechin, Deputy Prime Minister of the Russian Federation; Sergey Shmatko, Russian Energy Minister; and Alexander Zmeyevskiy, Permanent Representative of Russia to International Organizations in Vienna.*

# Resource nationalism:
# It's a global thing

*The term resource nationalism is often viewed as an emotive one; a phrase that means different things to different people. It can often seem like a confusing mish-mash of opinions, misconceptions, and high brow ideas. It begs the question: what does the expression actually mean? Taking a broad, global perspective,* ***James Griffin*** *looks to provide some answers to this question.*



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In simple terms, the focus of resource nationalism is on optimizing the value of a country's resources: a normal and natural objective for us all, and a characteristic that has been around in the oil and energy industries for generations. For example, in the industrial revolutions that swept much of the northern hemisphere in the 18th and the 19th centuries, many of the countries that went on to become today's foremost industrialized economies owed much of their success to the exploitation of the natural resources within their own borders.

The crux is that every country, according to the United Nations Charter, has the inalienable right to exercise permanent sovereignty over their natural resources. For the oil industry, it is a practice that has been part and parcel of its past, and one that will continue to be a function of its future. Oil-producing countries benefit as best they can — in a responsible and sustainable manner — from the resources that lie within their national borders.

The establishment of OPEC is testament to this. The main catalyst for its birth came when a group of multinational oil companies — the so-called Seven Sisters — who, at that time, were the dominant force in the oil market, unilaterally reduced the posted prices of the crude they supplied. These firms effectively controlled the quantity of oil extracted and decided how much was sold, to whom, and at what price. In reality, it was a time when the international petroleum industry, outside of the former Soviet Union, was under the control of the established industrialized powers.

So in 1960, five oil-producing developing countries — Iran, Iraq, Kuwait, Saudi Arabia and Venezuela — joined together around the premise of cooperation, with a commitment to safeguard their legitimate national interests and to ensure order and stability in the international oil market. The formation of OPEC was a brave act, a pioneering act, an act that demonstrated that even developing countries had rights. Their indigenous resources were more than just a convenience for others. This is a concept that every nation around the world can appreciate.

And the importance of ownership of these resources is just as clear today, as it was then. For many oil-producing


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countries, particularly those from the developing world, this has been and is the only highly valued good they have for international trade. With this in mind, it is not a surprise that governments see an imperative in making the most out of their particular national and natural endowment, for their social and economic development.

What is interesting to note is that the term resource nationalism was almost non-existent in pre-OPEC days. It then seemed acceptable for the Seven Sisters to control the destiny of the petroleum sectors of many developing countries. But when these countries decided to organize and manage this sector themselves, as was their right, it was quickly labelled and often derided as resource nationalism.

The key question in this development is just how the resource ownership issue has impacted the oil industry. While in any industry over a period of almost 50 years there will obviously be a number of ups and downs, in general the market has continued to function well. And today the fundamentals of supply and demand remain healthy. Does the market have sufficient crude? Yes it does. Do stock levels remain comfortable? Yes they do. Is supply higher than demand? Yes it is. Is output being expanded? Yes it is. Are the necessary investments being made? Yes they are. Will this result in an increase in spare capacity? Yes it will.

Of course, market volatility is very much palpable today, but the major factors that appear to lie behind the price rises and volatility are beyond the traditional remit of the petroleum industry. These include the fluctuating value of the US dollar, the heightened levels of speculative activity, and geopolitics.

## Here, there and everywhere

What is also apparent and important to highlight is the fact that the concept of resource nationalism (as laid out at the beginning), is one that can be found 'here, there and everywhere' in the energy industry. It would be easy to think from reviewing the international media that this is not the case, and that it is just confined to certain parts of the world. The resource ownership issue is one that can be found globally and comes in various guises.

For example, in a November 2007 *Petroleum Intelligence Weekly* interview with Jose Sergio Gabrielli de Azevedo, Chief Executive of Brazilian group, Petrobras, he stated that in the Gulf of Mexico the group has 250 blocks, but if it wants to export, it has to get permission from the US government. He also added that the group cannot have a drilling rig without the condition that it is 100 per cent owned by US companies.

In other energy sectors, these traits exist too. In the electricity and gas industries of certain European Union countries there have developed a number of 'national energy champions'. Many analysts have asked the question: are these utilities untouchable? It is certainly clear that a number of EU countries see a strong, home-owned energy company as the best way forward.

## The agricultural sector

Other industries also exhibit trends that take on board resource nationalism. And when examining these, what is evident is that there are instances where the actual realities have significant negative implications. One

particularly strong example is the agricultural sector, where significant inequalities exist.

It is an issue which has been the focus of much discussion, albeit little agreement, at the Doha round of trade talks. The most recent breakdown centred on an agreement to try and iron out the kinks and distortions in the global trade of agricultural goods.

The success of the Doha round has been viewed as essential for developing countries to progress in the global marketplace, particularly in agriculture. It is easy to appreciate why, as according to the Organization for Economic Cooperation and Development (OECD), about 75 per cent of the world's poor live in rural areas, and many are dependent on agriculture. There is huge potential for this sector to help raise the standard of living for many people in developing countries. It should be remembered that for many people in developing countries the focus is on combating the worst global tragedy of all — poverty.

In developed countries, much focus has been on the large amounts spent on agricultural subsidies every year, such as through the EU's Common Agricultural Policy (CAP), which many view as providing for unfair competition. According to the OECD, support to farmers in OECD countries totals around $280 billion annually. It adds that cutting agricultural tariffs and subsidies by 50 per cent would add an extra $26bn to annual world income, equivalent to just over $4/year for every person on the globe. It could also mean that many farmers in the developing world could benefit from more of a level playing field.

## Consuming countries too

In the energy industry, what is also important to recognize is that it would be wrong to assume that the concept of resource nationalism is the remit of producing countries alone. In a speech to the Windsor Energy Group in March 2008, Arne Walther, former Secretary General, International Energy Forum, said: "I would not limit the concept of 'energy nationalism to resource host countries. Even non-host governments pursue, in my view, policies of 'energy nationalism'. In the sense that they seek the natural resources of others as cheaply and as reliably as possible, for their domestic social and economic development."

Under this banner, the national policies of energy independence might also be included. That is not to say that there is anything amiss with this concept *per se,* as it is each nation's choice if they want to shift their energy balance, promote clean fuels and alternatives, and improve energy efficiency. Nevertheless, what is clear is that the future energy world is not about independence, it is about interdependence among nations. It is a two-way street, particularly when looking at energy security.

The importance of this is underlined by Walther, who said: "Both host and non-host country citizens expect their governments to provide the benefits of the world's energy resources for the betterment of their lives." It emphasizes the importance of working with, not against each other. Yes, nations will look at what is best for their people, but no one can get away from the fact that energy sits at the very centre of the political, economic and environmental interests of nations, which is true for energy-importing, as well as energy-exporting countries, and industrialized, as well as developing countries.

Thus, relationships need to be mutually beneficial. It is not about taking sides; it is about understanding the viewpoints of others and finding ways to move the industry forward.

*Arne Walther, former Secretary General, International Energy Forum.*

## Resource nationalism is natural

With resource nationalism — meaning the optimization of the value of a country's resources — it is essential to recognize that it is natural. It has been a component of the oil industry since its very beginning; it relates to both producers and consumers; it is an inalienable right for nations to exercise permanent sovereignty over their natural resources; and it is a constituent of many other industries that make up world trade.

And what is apparent is that it can be perfectly compatible with all the constituent parts of a well-functioning international oil market, as well as being consistent with the need for interdependence among nations in efforts to support sustainable growth in the global economy. The key is making sure all the varied industry facets are handled in a framework of harmony and cooperation, bearing in mind the common short and long-term interests of all stakeholders. If this is the case, the result can be a 'win-win' situation for all parties concerned.

In the course of his official duties, OPEC Secretary General, Abdalla Salem El-Badri, holds talks with numerous dignitaries. Some of his most recent meetings are covered here.

*Igor Sechin, Deputy Prime Minister of the Russian Federation, visited the OPEC Secretary General, Abdalla Salem El-Badri, on September 9, 2008 (see observers' comments on p19 and interview on p32).*

*Abdalla Salem El-Badri, OPEC Secretary General, with South Korea's newly appointed Ambassador to Austria, Shim Yoon-joe, who paid a courtesy call to the OPEC Secretariat on September 16, 2008.*

*Dr Michael C Daly, Group Vice President, Exploration and New Business Development of BP, visited the OPEC Secretary General, Abdalla Salem El-Badri, on September 16, 2008. L–r: Dr S Chereé Stover, Executive Assistant BP; Dr Michael C Daly; Abdalla Salem El-Badri; and Christof Rühl, Group Chief Economist and Vice President, BP.*

*Kwon Jong-rak, Vice Minister of Foreign Affairs & Trade, Korea, visited the OPEC Secretary General, Abdalla Salem El-Badri, on October 13, 2008.*

# Ramadan:

## a life-changing experience for believers

*Ordinarily, fasting means willingly abstaining from food or drink for a period of time. People abstain from food and drink for different reasons; some are dietary in nature, while others could be simply as a result of trying to shed some weight. But for the religious faithful — Christians or Moslems — fasting means a lot more than abstaining from food. For them, the act takes on a religious significance because the period of fasting is also a period of penitence and self-denial. It is also a period that enables the faithful to inculcate the virtues of discipline, self-restraint and generosity, while obeying God's commandments. With the recent celebration of Eid El Fitri, which brought to a formal end this year's fast by Moslems around the world, the OPEC Bulletin's* ***Angela Agoawike*** *takes a look at Ramadan, an event that occupies pride of place on the Moslem calendar.*

### Period of renewal

Though an annual event that has been celebrated since the advent of Islam, the act of fasting during the holy month of Ramadan has remained, for the believer, a link between that person and God — a time to purge oneself of any vestiges of arrogance, impatience and other negative traits that the individual may have been associated with. In place of these, the fasting faithful put on the toga of humility, patience, love, kindness, good deeds and any other such virtues that are likely to deepen the person's interaction with God. Put simply, it is a period of renewal and rededication of oneself to the will of Allah.

Fasting is one of the five pillars of Islam. Others include the Iman (profession of faith), Salah (prayer), Zakat (alms giving) and the Hajj. For the Moslem faithful, while all the five acts above are very important, the uniqueness of Ramadan is borne out in the fact that the first verses of the Holy Qu'ran were received during this period by Prophet Muhammad (peace be upon him).

Another unique aspect of Ramadan for Moslems is that no one goes through it and, at the end, remains the same. Through self denial of some of the comforts and luxuries one has gotten used to in his or her everyday life, the person is free to commit wholly to meditation on the purpose of life, the reason why he or she is on the planet, and on the goodness and ever-present nature of Allah. "O you who believe! Fasting is prescribed for you as it was prescribed to those before you that you may learn self-restraint," says the Holy book (Qur'an 2:183).

Like any other serious event, Ramadan is not one that is approached with a casual air. To successfully go through the period, the faithful take time to prepare both mind and body, so as to put themselves in a state of readiness to be in tune with the fasting. A lot of things change about, in and around the individual. These include sleeping habits, which have to be adjusted to enable the person to wake up for Suhur (early breakfast) and Fajr (early morning) prayer. Those partaking are also encouraged to avoid a lot of going out by stocking up on the necessary food items and other household goods. In this way, the person has enough time to prepare to meditate during the period.

## Breaking fast (Iftar)

Every day during the month of Ramadan, the faithful perform the Iftar, which is a formal breaking of the daily fast. Iftar takes place on a daily basis at sunset. The breaking of the fast is traditionally done with dates, or other fruits, followed by other foods.

Iftar is also an opportunity for those fasting to reach out to others through sharing the values and virtues of Islam. It also offers them the chance to educate people about Ramadan. While a person fasting may invite his or her neighbours for Iftar, it is even more virtuous at this time to share with those that do not have, as Prophet Muhammad admonished: “He is not a believer who eats his fill, while his neighbour remains hungry by his side.”

## Impact of Ramadan

So, how does adherence to the injunction change the lives of those who take part in it? And how much of the virtues of Ramadan remain with the person who has gone through it until the next period of fasting?

Asked whether the Holy month of Ramadan and the self-denial that comes with it brings about any changes in those who take part, a respondent who entered into the fasting period, but did not want to be named, answered “absolutely yes!” Claiming to have been fasting since the age of nine, and now in his 40s, he told the OPEC Bulletin that while he regularly looks forward to Ramadan, it is a little “difficult to maintain the positive effects until the next Ramadan.” But, he insisted, by the grace of Allah, “I will do my very best.”

Ramadan is also a time for the faithful to make resolutions, but just how many of these resolutions survive the test of time until the next year? As one can imagine, it is not that easy, but, for some, willpower and the grace of Allah see them achieve over half or even all their goals. “I intend to, with God on my side, to keep my resolutions,” commented our respondent.

Also speaking to the Bulletin, another member of the faithful, who also just completed the spiritual exercise, said of the experience: “It reinvigorates and makes me get closer to God by abstaining from things I know are not right.”

Continuing, he said: "For the whole month of Ramadan, I strive to be good to other people and to follow the right path."

There is no doubting that, for many, the month of Ramadan raises the spiritual consciousness and those who observe the fast come out of the month spiritually strengthened and more introspective about life in general.

On the physical side, the Ramadan fast brings home to the faithful the plight of those in this world who have nothing. "The hunger I experience during the month of Ramadan gives me a feel of what those who have nothing to eat feel," said one of our interviewees.

While the dominant theme of fasting during Ramadan is spiritual, one cannot deny the health aspect of this act of self-denial. It changes people's eating habits as they substitute quantity for quality. Because people do not get to eat as much as during ordinary times, even the poorer faithful can afford to eat better food, not forgetting that in the spirit of the season, they also receive gifts of foodstuff — and these are mostly the types of food recommended for the breaking of the fast — light and nourishing food.

## Eid El Fitri – the celebration

After one month of enduring the rigors of self denial, the end of Ramadan — the festival of breaking the fast, or Eid El Fitri — is very much anticipated. And for good reason too. The faithful have every cause to celebrate and thank God for his guidance and protection throughout the period. It is also a time to give. Before the celebration, gifts of foodstuff are handed out to the needy so that they too might have something to celebrate with. Indeed, Muslims are required to give out food rations to those who cannot afford it during the festival, so that they can also celebrate Eid in plenty. This is called the Sadaqat al-fitir

According to one of our respondents, "the beauty of Ramadan is that it brings people and families together. On the days of Eid, it is recommended that families and friends, who have not seen one another for some time,

exchange visits with a view to renewing acquaintances."

In the Islamic calendar, the celebration normally falls on the first day of the month Shawwal, the month following Ramadan. The fact that lunar months, unlike the Gregorian calendar, are not fixed, explains the changing dates for the celebration of Eid.

Apart from the feasting, one major highlight of the Eid celebration is the observance of the Eid prayer. This normally takes place at outdoor locations and includes a sermon and congregational prayer. The air of celebration is made manifest in the dressing up of the faithful, who throng the Mosques and the praying grounds. Parents dress their children in new clothes to reflect the mood of the day. Such days are work-free in most Muslim countries and institutions. In a number of Muslim countries, the Eid holidays are extended over several days.

At the OPEC Secretariat, a day is declared work-free to enable the faithful to celebrate with their friends and family. Because the day is a normal working day for the Viennese, the celebration is not attended with as much pageantry since people have to go to work. "This year," said one of the Bulletin's respondents, "we invited friends to our home to celebrate with us, but because it was a working day, we could only get women who were not working to visit."

Some embassies lined up activities and their nationals took the opportunity of the free day to join in the celebrations, partaking of their respective country's local cuisine. According to one of those who spoke with the Bulletin, such gatherings bring back memories of home where Eid is celebrated with traditional delicacies.

Irrespective of what one eats, drinks or wears during the month of Ramadan, at the end of the day, what matters is whether one has been able to use the opportunity provided by the holy month, which the Qur'an describes as better than a thousand months, to get closer to God and to gauge just how much of the experience of fasting will positively impact one's life until the next Ramadan fast.

# Learning lessons about HIV and AIDS



When UNAIDS published its latest AIDS Epidemic Update, on the whole, the news was encouraging. The global prevalence of the disease has finally levelled off and the number of new infections has fallen. By all accounts, it seems that organized prevention efforts are having the desired impact. However, this general trend masks the existence of geographical pockets where the disease continues to escalate. Most of these are in Asia.

The importance of fighting the HIV/AIDS epidemic received universal recognition in 2000 when it was named as one of the eight United Nations Millennium Development Goals. The response of the OPEC Fund for International Development (OFID) was to set up a dedicated grant account to channel funding into the important areas of prevention, reduction of vulnerability, care and support.

Following several replenishments, the account today is worth $65 million. To allocate its resources, OFID has developed partnerships with a core number of specialized lead agencies to jointly carry out some 20 major programmes in more than 85 affected countries. One of its leading partners is the UN Educational, Scientific and Cultural Organization (UNESCO), with which it has made great progress.

Since it first came on the scene more than three decades ago, AIDS has evolved from a straightforward public health issue into probably the most destructive human tragedy of all time. In fact, in 2005, the UN identified the virus as the factor inflicting the single greatest reversal in the history of human development. Nowhere is this devastation more apparent than in Africa, whose demographic face has altered beyond recognition. Because of HIV and AIDS, huge swathes of the productive workforce have simply disappeared, taking with them key skills, knowledge and experience, and millions of children have been left without parents or homes. The implications for social, economic and human development are immense.

Today, an estimated five million people are living with HIV and AIDS in Asia and the Pacific. The epidemic came late to the region, and while the number of people infected is relatively small as a percentage of the population, it is growing rapidly — in 2007, there were 20 per cent more new infections than in 2001. In Vietnam, for example, the number of HIV-positive cases more than doubled between 2000 and 2005, while Indonesia has the fastest-growing epidemic in Asia.

It is in the former Soviet Republic of Uzbekistan, however, that the statistics are most disturbing. The number of new registered cases of the disease has been increasing by 50 per cent year-on-year, making it the fastest growing HIV/AIDS epidemic in the world. Although the numbers are still small — only 10,000 HIV and AIDS cases are registered in the country — 70 per cent of these are among young people under 29 years.

But because there is a higher incidence of the disease among sex workers, intravenous drug users and homosexuals, many young people believe that it is not a problem that will affect them. Such naivety is borne largely out of ignorance and underlines the need for young people — not only in Asia, but around the world — to be given greater access to information, education and support about HIV and AIDS.

## Increasing awareness

It was against this background that OFID, in 2005, decided to join forces with UNESCO to tackle the AIDS-related culture of silence, denial, shame and discrimination in Asia through a programme of education and advocacy. The focus of the programme (which ran from May 2005 to October 2007) was 12 severely-affected countries. Bangladesh, Cambodia, China, Lao PDR, Thailand and Vietnam in south, east and south-east Asia; Afghanistan, Kazakhstan and Uzbekistan in central Asia; and Jordan, Lebanon and Syria in the Arab states.

Its aim was to halt the spread of the pandemic by raising awareness of HIV and AIDS through the education system — by engaging ministry of education officials, integrating HIV and AIDS information into education curricula, and training teachers and young people to relay information to pupils in schools across the region. The programme made the most of UNESCO's experience and adapted many existing teacher training manuals and advocacy toolkits.

In Uzbekistan — with UNESCO's assistance — a new subject called *Healthy life style and family* was introduced into the school curriculum for 14 to 16-year-olds. Some 200 teachers were given a minimum of four days training. Once back at their own schools, these teachers trained their peers so that they, in turn, could teach their students about health issues, including HIV and AIDS. Together, these teachers have the potential to reach out to two million young people in schools across the country.

The project is already making a huge impact. A survey of children in pilot schools has shown a dramatic increase in awareness about HIV and AIDS as a result of the new subject, which is now due to be rolled out to 12 and 13-year-olds too.

## Reaching out to young people

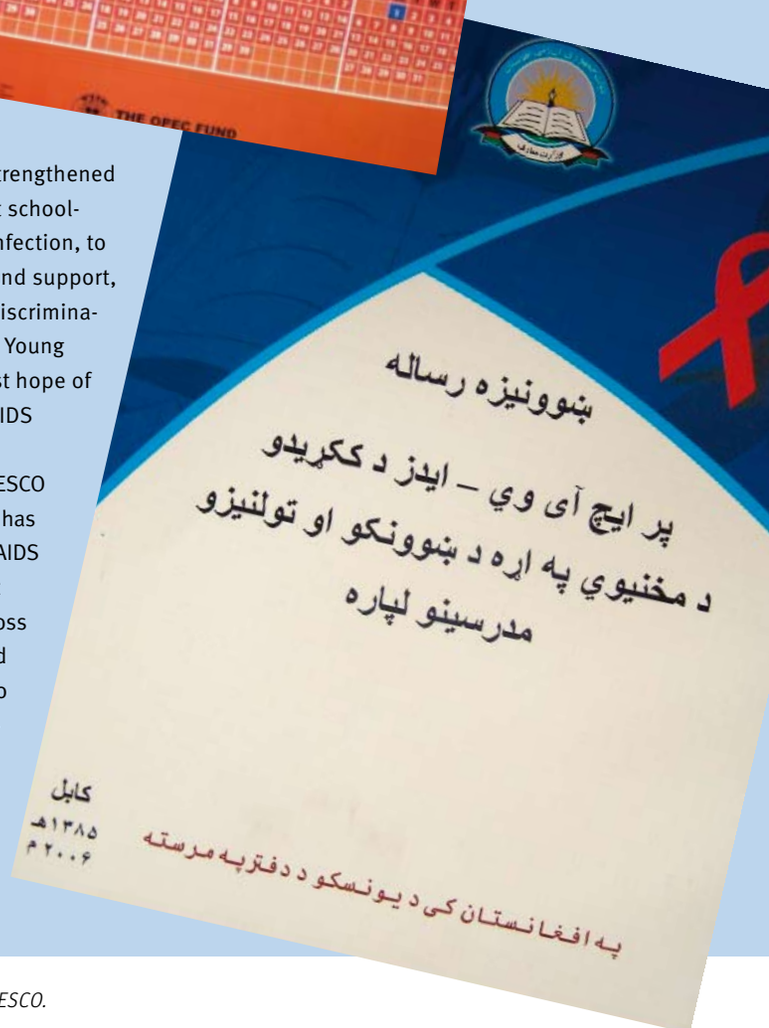
In neighbouring Kazakhstan, a pilot project in partnership with the local non-governmental organization, *Equal to Equal,* trained young people from eight schools as peer health educators. Now, these teenagers hold regular sessions with large groups of their peers about health issues, including HIV and AIDS. They will continue with this peer-to-peer outreach for the next two or three years — sharing vital health information with their fellow pupils as they progress through school. Feedback received after these sessions shows that this project is already making a difference to young people's attitudes.

Encouragingly, experience in other countries — like Brazil, Senegal and Uganda — has shown that early and energetic action is effective in limiting the spread of an epidemic.

In spite of this, however, one of the biggest challenges of the OFID/UNESCO programme has been to persuade some education officials that HIV and AIDS is a problem serious enough to justify their attention — and to warrant space in an already overcrowded school curriculum.

In China, for example, where an estimated 700,000 people are living with HIV in a population of around 1.3 billion, some local educational officials






and school administrators were not fully aware of the risk of HIV and AIDS, or of the urgency of HIV prevention education. However, not taking early action can have potentially dangerous consequences — even a small rise in the percentage of the population infected can mean millions of people and families affected.

Over a period of two years, UNESCO worked in partnership with the National Academy for Education Administration in China. A series of one-day training sessions took place — covering HIV and AIDS prevention and school health policy — for over a thousand directors of local educational bureaus and top and middle level administrators in higher education institutions.

As a result, the level of awareness about HIV and AIDS increased significantly at a local level so that national guidelines are now more likely to be implemented in schools.

## Scaling up the response

With the number of people infected and affected by HIV/AIDS rising in many regions, with no cure in sight, all areas of prevention take on an increasing importance. The education sector must continue to be mobilized, strengthened and supported to protect school-age young people from infection, to increase access to care and support, and reduce stigma and discrimination about HIV and AIDS. Young people represent the best hope of containing the HIV and AIDS epidemic.

Through the OFID/UNESCO programme, a new model has been created for HIV and AIDS prevention education that can now be scaled up across the Asia-Pacific region and beyond. By reaching out to education officials, teachers and schools, there is the potential to reach out to millions of young people — with potentially life-changing social consequences.

*All photographs courtesy UNESCO.*

This section includes highlights from the OPEC Monthly Oil Market Reports (MOMR) for September and October 2008, published by the Petroleum Market Analysis Department of the Secretariat, with additional graphs and tables. The publication may be downloaded in PDF format from our Website (www.opec.org), provided OPEC is credited as the source for any usage.

## September

### Crude oil price movements

The OPEC Reference Basket[1] averaged the month of August at $112.41 a barrel, more than 14 per cent, or $18.81/b, lower than the previous month. The Basket's weakness was due to slow economic growth denting oil demand, while the rebound in the US dollar inspired fund liquidation on profit-taking in the currency-dominated commodities. The threat of tropical storm Edouard in the Gulf of Mexico triggered the shut-in of some six per cent of crude oil and over 12 per cent of natural gas production, signalling fears of a supply shortfall, yet persistent higher OPEC exports maintained calm in the marketplace.

A surprise build in US weekly crude oil stocks, the easing threat of the tropical storm in the Gulf of Mexico and concern over the economic outlook sustained the market bearishness seen during the month. In the first week of August, the Basket average plunged by a hefty $5.98/b to $115.89/b, while, in the second week, the Basket closed at $109.73/b, down by a further $6.16/b. In the third week of the month, the Basket's weekly average firmed for the first time in seven weeks, rising by $1.35/b to settle at $111.08/b. And, in the final week, the Basket closed a marginal 12¢ firmer at $111.20/b. However, in the first week of September, the Basket continued its retreat amid the recovery of the US dollar to a one-year high. The weak economic outlook was seen eating into demand, while the damage assessment from hurricane Gustav was regarded minimal. The approach of tropical storm Ike delayed repairs from the previous storms and the Basket slipped to a five-month low below the $100/b mark on the continued firmness of the US dollar. On September 15, the OPEC Basket stood at an average of $91.35/b.

On the US market, benchmark West Texas Intermediate (WTI) averaged August at $116.58/b, 13 per cent, or $17.24/b, lower than the July figure.

In the North Sea market, dated Brent averaged August at $104.19/b, representing a 15 per cent drop from the previous month.

In the Mediterranean market, Urals crude averaged $112.20/b, some 14 per cent lower than the July figure.

In the Middle Eastern market, Dubai averaged August at $112.90/b, also for a drop of 14 per cent from the previous month.

### Commodity markets

Looking at trends in selected commodity markets, The OPEC report stated that the declining trend seen across most commodity prices in July continued in August, irrespective of the specific conditions of each market.

The IMF commodity index plunged by 10.7 per cent in August, down from 1.5 per cent the previous month. Non-energy and energy prices showed negative growth of 5.8 per cent and 12.6 per cent month-on-month in August, respectively. The exceptions were fertilizers and sugar.

The energy commodity index (crude oil, natural gas and coal) sank by 12.6 per cent in August, compared with last July, on massive drops in all components. The crude oil price (average petroleum spot price) fell by 13.6 per cent m-o-m in August, dropping below $115/b and then further to below $100/b in early September.

The US natural gas price was the worst performer in the energy complex, sinking by a near 26 per cent in August m-o-m. This was due to declining oil prices and higher domestic supply.

1. An average of Saharan Blend (Algeria), Minas (Indonesia), Iran Heavy (IR Iran), Basra Light (Iraq), Kuwait Export (Kuwait), Es Sider (SP Libyan AJ), Bonny Light (Nigeria), Qatar Marine (Qatar), Arab Light (Saudi Arabia), Murban (United Arab Emirates) and BCF-17 (Bachaquero, Venezuela).

Coal prices dropped 12.5 per cent m-o-m in August as a result of the sharp drop in crude oil prices, lower summer demand in Asia and Europe and the easing of port congestion at New Castle in Australia. Volatility for this commodity was very high.

After a recovery in July, industrial metals fell by 6.9 per cent m-o-m in August, with all metals except nickel being affected on a monthly basis.

Following gains in July, tin prices recorded the sharpest fall across the industrial metals in August (13.2 per cent m-o-m), due to major long liquidation in July and August, together with weaker seasonal demand and bearish news from the exports front, with higher Indonesian exports in July-August.

Aluminum prices dropped by 9.9 per cent m-o-m in August, a situation caused by bearish fundamentals, including rising stocks, which were due to world production growth of 7.1 per cent, coupled with weak demand.

Copper prices declined by 9.2 per cent m-o-m in August, owing to weak demand from China and the OECD region, which was related to the crisis in the construction sector.

Zinc prices dropped by a further 6.6 per cent in August, due to rising inventories and output and weak demand from the galvanized steel sector.

Nickel prices declined by 4.9 per cent in the month under review, which translated into an improvement when compared with the 10.9 per cent drop seen last July.

The World Bank's agricultural price index decreased by 8.5 per cent in August, while the IMF food price index further declined by seven per cent.

The price of gold plunged by 10.7 per cent m-o-m in August, owing to lower oil prices, the stronger US dollar and shrinking demand for the metal as an inflationary hedge.

Fertilizers remained the exception in the bearish performance of commodity products.

Meanwhile, the World Bank Index rose by 6.2 per cent m-o-m in August, down from 9.5 per cent in July on healthy demand and supply constraints.

## World oil demand

World oil demand is forecast to grow by 900,000 barrels/day in 2009 to average 87.7 million b/d, unchanged from OPEC's last assessment.

Non-OECD oil demand growth of 1.2m b/d will account for all of the world oil demand growth next year. The transport fuel sector will see the most growth in 2009.

The OPEC report said that a number of variables could potentially affect world oil demand growth in 2009, suggesting an upper and lower range for oil demand growth.

"The upper side is estimated at 1.15m b/d and the lower side is forecast at 700,000 b/d. One of the factors that might take a toll on next year's oil demand growth is the removal of price subsidies. For example, Indonesia has announced that the government's plan for next year is to cut its fuel subsidies by another 20 per cent. Another factor that will affect oil consumption is the movement from subsidized household used kerosene to gas in some developing countries," it said.

Demand for OPEC crude in 2008 is projected at 32.0m b/d, representing a decline of 160,000 b/d from the previous year. On a quarterly basis, demand for OPEC crude is estimated to average 32.4m b/d, 31.1m b/d, 32.0m b/d and 32.5m b/d, respectively.

Required OPEC crude in 2009 is expected to average 31.3m b/d, representing a decline of 670,000 b/d from the current year. On a quarterly basis, the forecast shows that demand for OPEC crude next year is expected at 31.2m b/d, 30.3m b/d, 31.1m b/d and 32.7m b/d, respectively.

OECD oil demand in 2008 is showing a further decline, resulting from a steep fall in US oil demand. US oil demand declined by 800,000 b/d y-o-y in August, resulting from a slow economy and high retail prices.

"The same factor is affecting jet fuel consumption in the OECD. Jet fuel has been declining by more than 3.5 per cent in the US, and Europe's annual growth is expected to lose one-third of its forecast in the near future," said the report.

In contrast, summer oil demand growth of four per cent in non-OECD countries, mainly China, the Middle East and Asia, offset the decline in OECD oil demand. However, with the most recent data showing an unexpectedly strong decline in oil demand in North America, the total world demand growth forecast has been revised down by 100,000 b/d. Thus, world oil demand growth in 2008 has been revised down to stand at 900,000 b/d to average 86.8m b/d.

**Required OPEC crude in 2009 is expected to average 31.3m b/d, representing a decline of 670,000 b/d from the current year.**

In OECD North America, US August data has shown a strong contraction in the consumption of many products. High retail prices have suppressed gasoline demand by 1.37 per cent y-o-y in August. Kerosene/jet fuel was also badly hit by the slow air travel, which led to a decline in consumption of 4.2 per cent y-o-y in the first eight months of 2008. Industrial products, such as fuel oil and propane, declined by more than three per cent.

"Given the steep 800,000 b/d decline in August, US oil demand growth has contracted by 900,000 b/d year-to-date. Both Hurricanes Gustav and Ike have had a minor effect on oil demand so far, due to the halt of economic activities in some of US southern cities," said the OPEC report.

With the assumption of normal weather in the fourth quarter, North America's oil demand is expected to show moderate growth

of 200,000 b/d, resulting mostly from fuel and heating oil.

As a result of declining US oil demand, North America's oil demand growth was revised down by another 180,000 b/d to show a total decline of 500,000 b/d y-o-y in 2008.

In OECD Europe, shrinking oil demand in some of the major European consuming countries has resulted in oil demand in the region continuing its declining trend. Given the serious decline, not only in transport fuel, but also industrial fuel, and the assumption of a normal cold winter in the fourth quarter, OECD Europe's oil demand growth in 2008 is forecast to be almost flat, averaging 15.3m b/d y-o-y.

In the OECD Pacific, the region's oil demand is expected to show a decline of around 80,000 b/d in the third quarter.

**Given the new car sales, China's oil demand growth is forecast at 440,000 b/d to average 8m b/d in 2008.**

And given the negative effects of not only slow economic activities in the Pacific, but also high oil prices, OECD Pacific oil demand is forecast to decline by 22,000 b/d y-o-y in 2008 to average 8.3m b/d.

In the developing countries, as a result of strong oil demand in Other Asia, Latin America, the Middle East and Africa, oil demand growth is forecast to reach 800,000 b/d y-o-y in 2008 to average 25m b/d.

Other Asia's oil demand, supported by Indian consumption, is expected to show strong growth this year, reaching 240,000 b/d y-o-y to average 9.4m b/d.

Middle East oil demand growth is forecast to reach 300,000 b/d y-o-y in 2008. Transport and industrial fuel demand have increased and are expected to continue to do so for the remainder of the year.

Oil demand in Brazil, Venezuela and Argentina grew strongly in the first half of 2008. Brazil's oil demand grew by 113,000 b/d in the first half of this year. The economic boom and controlled prices led to strong oil demand growth this year; hence Latin America's oil demand is forecast to grow by 200,000 b/d to average 5.7m b/d in 2008.

Regarding Other Regions, China's apparent oil demand is expected to show healthy growth in the coming months.

Given the new car sales, China's oil demand growth is forecast at 440,000 b/d y o-y to average 8m b/d in 2008.

Second-quarter apparent oil demand in the Former Soviet Union (FSU) was stronger than expected, resulting in an upward revision of 60,000 b/d. As a consequence, growth for the whole year of 2008 will reach 110,000 b/d y-o-y to average 4.1m b/d.

## World oil supply

Preliminary figures show that world oil supply averaged 86.31m b/d in August, around 960,000 b/d lower than in the previous month. OPEC crude is estimated to have had a 37.6 per cent share in global supply. The estimate is based on preliminary data for non-OPEC supply, estimates for OPEC natural gas liquids (NGLs) and OPEC crude production, according to secondary sources.

Non-OPEC oil supply is expected to average 49.94m b/d in 2008, indicating growth of 510,000 b/d over the previous year and representing a downward revision of around 70,000 b/d from OPEC's last assessment.

"Output disruptions from the Gulf of Mexico, due to the passing of hurricanes Gustav and Ike, as well as the BTC pipeline explosion, were the main factors behind the downward revision," said the report.

"As the extent of the damage caused by the hurricanes to the production infrastructure is not yet fully known, the effect on prospective projects and the possibility of further start-up delays will require more time to assess," it added.

In addition to the US and Azerbaijan, downward revisions were applied to the forecasts for Canada and New Zealand. The third quarter witnessed significant downward revisions of around 271,000 b/d, mainly from the US and Azerbaijan.

On a quarterly basis, total non-OPEC supply for 2008 stands at 49.61m b/d, 49.64m b/d, 49.54m b/d and 50.96m b/d, respectively.

Total OECD supply this year is anticipated to average 19.93m b/d, representing a decline of 220,000 b/d from the previous year and indicating a downward revision of 45,000 b/d from OPEC's last assessment.

On a quarterly basis, OECD oil supply is expected to average 20.02m b/d, 20.01m b/d, 19.39m b/d and 20.30m b/d, respectively.

The OECD Pacific is expected to be the only region among the OECD groupings to register growth in 2008 as this month's downward revisions pushed North America into negative territory in terms of supply growth.

Oil supply from the US is expected to average 7.69m b/d in 2008, indicating growth of 190,000 b/d over the previous year. This represents a downward revision of 40,000 b/d from last month's OPEC assessment.

However, the estimated effect on production of Hurricanes Gustav and Ike, in addition to maintenance work in Alaska, slashed a considerable 190,000 b/d from US third-quarter oil supply from the previous month's assessment. This figure is expected to increase as further details emerge. While Hurricane Gustav had reportedly not caused any significant damage to the infrastructure, the impact of Hurricane Ike currently remains unclear, as well as the extent of project start-ups and ramp-up delays.

According to preliminary figures, US oil production stood at 7.56m b/d in August.

Canadian oil supply is estimated to grow by 60,000 b/d in 2008 over the previous year to average 3.38m b/d, representing a minor downward revision of 6,000 b/d to last month's OPEC assessment.

On a quarterly basis, Canadian supply was

put at 3.30m b/d, 3.41m b/d, 3.34m b/d and 3.47m b/d, respectively. Preliminary data for oil supply indicated average July and August figures of 3.48m b/d.

Total oil supply from Mexico is anticipated to decline by 260,000 b/d in 2008 from the previous year to average 3.23m b/d. This is unchanged from OPEC's last assessment.

In Western Europe, oil supply is expected to average 4.93m b/d in 2008, representing a drop of 310,000 b/d from the 2007 figure and a minor upward revision from last month's OPEC assessment.

The quarterly figures are estimated at 5.22m b/d, 5.01m b/d, 4.59m b/d and 4.90m b/d, respectively. The United Kingdom is expected to be the major contributor to the decline.

Oil supply from Norway is expected to average 2.40m b/d in 2008, representing a decline of 160,000 b/d from the 2007 figure. The forecast for Norway is unchanged from OPEC's previous assessment.

On a quarterly basis, Norwegian supply is put at 2.51m b/d, 2.39m b/d, 2.23m b/d and 2.45m b/d, respectively.

UK oil supply is forecast to average 1.52m b/d this year, representing a decline of 170,000 b/d from 2007 and unchanged from last month's OPEC estimate.

On a quarterly basis, UK oil supply is put at 1.69m b/d, 1.58m b/d, 1.38m b/d and 1.45m b/d, respectively.

Heavy maintenance is likely to continue to impact the third quarter with UK production standing at 1.27m b/d in August, according to preliminary data.

Oil supply from the OECD Asia Pacific region is anticipated to average 700,000 b/d in 2008, representing growth of 10,000 b/d compared with 2007 and a minor downward revision from last month's OPEC estimate.

On a quarterly basis, total oil supply from this region is estimated to average 580,000 b/d, 640,000 b/d, 760,000 b/d and 820,000 b/d, respectively.

Australia is estimated to show supply growth of 60,000 b/d in 2008 over the 2007 figure. This is unchanged from OPEC's last assessment.

On a quarterly basis, Australian supply is put at 470,000 b/d, 530,000 b/d, 650,000 b/d and 700,000 b/d, respectively. The preliminary August supply figure stands at around 540,000 b/d.

New Zealand's oil supply forecast for 2008 was revised down by 16,000 b/d from last month's OPEC assessment, due to the delays in the Maari oilfield start-up.

In the Developing Countries, oil supply is expected to average 11.28m b/d in 2008, representing an increase of 360,000 b/d over the 2007 level and showing a minor downward revision from OPEC's previous assessment.

On a quarterly basis, total oil supply from this group of countries is forecast at 11.08m b/d, 10.99m b/d, 11.46m b/d and 11.58m b/d, respectively. While there were few downward revisions to individual countries, among the developing countries there were upward revisions that offset the trend.

Oil supply growth from the Other Asia group in 2008 is forecast at 100,000 b/d to average 2.81m b/d.

On a quarterly basis, Other Asia supply is expected to average 2.76m b/d, 2.67m b/d, 2.85m b/d and 2.94m b/d, respectively.

Latin American oil supply is estimated to average 4.10m b/d in 2008, which represents an increase of around 220,000 b/d over 2007. The projected supply level in 2008 indicates a minor downward revision of 6,000 b/d from OPEC's previous assessment.

On a quarterly basis, Latin American supply stands at 3.98m b/d, 3.97m b/d, 4.21m b/d and 4.22m b/d, respectively.

Middle East oil supply is projected to remain flat in 2008 with a minor decline of around 12,000 b/d from the previous year and steady from last month's OPEC assessment.

On a quarterly basis, Middle East supply stands at 1.63m b/d, 1.64m b/d, 1.65m b/d and 1.66m b/d, respectively.

Oil supply from Africa is forecast to average 2.73m b/d in 2008, indicating growth of 60,000 b/d over the previous year.

On a quarterly basis, supply from Africa stands at 2.71m b/d, 2.71m b/d, 2.75m b/d and 2.75m b/d, respectively.

FSU oil supply is anticipated to increase by 260,000 b/d in 2008 over 2007 to average 12.78m b/d, representing a downward revision of 16,000 b/d from OPEC's last assessment.

On a quarterly basis, total oil supply in the FSU this year is expected to average 12.60m b/d, 12.68m b/d, 12.73m b/d and 13.09m b/d, respectively.

Other Europe supply is expected to remain flat at 140,000 b/d.

In Russia, oil supply in 2008 is forecast to average 9.88m b/d, broadly unchanged from the previous year.

**In the Developing Countries, oil supply is expected to average 11.28m b/d in 2008, representing an increase of 360,000 b/d over the 2007 level.**

On a quarterly basis, Russian oil supply is expected to average 9.76m b/d, 9.77m b/d, 9.95m b/d and 10.03m b/d, respectively.

In the Caspian region, oil supply from Kazakhstan is expected to average 1.43m b/d in 2008, indicating an increase of 80,000 b/d over 2007. This is unchanged from OPEC's last assessment.

Quarterly supply figures for Kazakhstan are currently expected at 1.42m b/d, 1.43m b/d, 1.37m b/d and 1.50m b/d, respectively.

Azeri oil supply is forecast to grow by 140,000 b/d in 2008 over the previous year to average 1.00m b/d, representing a downward revision of 16,000 b/d from last month's OPEC assessment.

The Azeri quarterly supply level now stands at 960,000 b/d, 1.02m b/d, 940,000 b/d and 1.09m b/d, respectively.

Chinese oil supply is projected to increase by around 100,000 b/d in 2008 over last year's

level to average 3.87m b/d, unchanged from last month's OPEC assessment.

On a quarterly basis, Chinese supply in 2008 is expected to average 3.81m b/d, 3.87m b/d, 3.88m b/d and 3.91m b/d, respectively.

In looking at the forecast for 2009, the OPEC report said that non-OPEC oil supply is expected to average 50.81m b/d, an increase of 880,000 b/d over 2008 and a downward revision of around 140,000 b/d from last month's OPEC assessment.

On a quarterly basis, non-OPEC supply in 2009 is expected to average 51.20m b/d, 50.64m b/d, 50.46m b/d and 50.96m b/d, respectively.

"We expect non-OPEC 2009 supply growth to experience revisions as further details of the effect of the hurricanes become available, as well as the supply base of 2008," said the report.

**Total OPEC crude oil production averaged 32.50m b/d in August, according to secondary sources.**

## OPEC crude oil production

Total OPEC crude oil production averaged 32.50m b/d in August, according to secondary sources. This was steady with the previous month's level with a minor decline of around 20,000 b/d. OPEC production, not including Iraq, stood at 30.12m b/d, also consistent with last month's level. The largest change from the previous month came from Iran with oil production indicating an increase of around 40,000 b/d, followed by Saudi Arabia with oil production decreasing by around 36,000 b/d in August, compared with the previous month.

OPEC natural gas liquids and non-conventional oils are expected to average 4.85m b/d in 2008, an increase of around 530,000 b/d over the previous year, and unchanged from previous estimates. In 2009, OPEC output of NGLs is expected to rise by 660,000 b/d over this year to average 5.51m b/d.

## Downstream operations

A precautionary refinery shutdown in the US Gulf Coast, combined with the continuation of gasoline stock-draws, boosted product prices and refining margins in the Atlantic Basin.

"The recent sharp fall in crude oil prices also contributed to these positive developments in refining economics. The current bullish sentiment of the product markets may continue in the next few weeks, providing support for both product and crude prices," said the OPEC report.

"However, it is still too soon to say that product markets would be able to overcome other bearish factors and to lead the market in the coming months," it added.

Refining margins for WTI crude on the US Gulf Coast surged by $2.93/b in August to reach $6.16/b from $3.23/b the previous month.

Bullish developments in the US have also provided support for the European refining industry, lifting their economics. In line with such movements, Brent crude oil margins at Rotterdam jumped to $4.13/b from $1.39/b in July.

In Asia, market circumstances were different, as China's lower imports of light products, combined with higher regional output, further undermined light product prices. In the light of these developments, refining margins for Dubai crude oil in Singapore slid by $1.93/b to reach minus 25¢/b in August.

The OPEC report noted that, over the last couple of years, refiners had usually maximized their throughputs in the peak driving season in August.

"But this year, slowing demand and refining economics have adversely affected refinery operation rates, especially in the Atlantic Basin," it said.

The refinery utilization rate in the US stood at 88 per cent in August, representing a decline of 1.9 per cent from the previous month. In Europe, refinery utilization rates also fell - by 1.2 per cent to stand at 83.6 per cent. In Asia, some refiners trimmed throughput levels, due to low margins, but in Japan, refinery utilization rates rose by 4.1 per cent to 88.5 per cent.

"Looking ahead, with escalating hurricane activity, the US refinery utilization rate may decline further next month. In the last week of August, it reached 78.3 per cent. However the adverse effects of the hurricanes could be mitigated by postponing the seasonal maintenance schedules in the US and Europe," said the report.

It said that refinery operations in Asia will largely depend on new refining capacity, which will come onstream in the near future, but at the same time, refiners there might be able to benefit from possible arbitrage opportunities to the US and Europe.

In the US, a combination of early discretionary cuts and weather-related refinery operational problems has intensified gasoline stock-draws and lifted product market sentiment and prices over the last few weeks.

"Over 22 per cent of the US refining capacity was temporarily affected by Hurricanes Gustav and Ike. If the Texas refining system faces damage and is off-line for an extended period, the gasoline crack spread could stay at a high level in the coming months," said the OPEC report.

## Oil trade

According to official data, US crude oil imports averaged 9.97m b/d in August, 1.7 per cent, or 171,000 b/d, lower than in the previous month and 3.1 per cent, or 319,000 b/d, down from the same month last year.

"The US is still importing less volumes of crude oil in 2008, compared with 2007. Average crude oil imports for the first eight months of 2008 were 9.87m b/d, a decline of 1.8 per cent,

or 179,000 b/d, below the same period last year," said the OPEC report.

"This drop is attributed to the overall state of the US economy, which has hit sales for almost all products, apart from gasoil, with gasoline and jet fuel sales declining since December 2007," it added.

US product imports in August were at the very low level of 2.86m b/d, 8.6 per cent, or 271,000 b/d, down from the previous month and 13.7 per cent lower than in August 2007.

Apart from residual fuel oil, almost all major product imports were lower in August than in the previous month. Finished motor gasoline imports declined by 36 per cent, or 109,000 b/d, compared with the previous month, to reach 191,000 b/d.

In the first eight months of 2008, average US gasoline imports stood at 357,000 b/d, indicating an 18 per cent drop compared with the first eight months of 2007.

Distillate fuel oil imports declined in August by 35 per cent, or 57,000 b/d, compared with the previous month, to average 107,000 b/d. In the first eight months of 2008, average distillate fuel oil imports stood at 211,000 b/d, indicating a drop of 35 per cent from the same period last year.

Residual fuel oil imports increased in August by 40 per cent, or 109,000 b/d, from the previous month, reaching 382,000 b/d, an increase of 11 per cent over the same month last year.

In the first eight months of 2008, the US imported six per cent less residual fuel oil than in the same period of 2007. On average, US product imports declined by 11 per cent in the first eight months of 2008, compared with the same period last year.

US product exports were steady in August, compared with the previous month, averaging 1.43m b/d, a marginal decline of one per cent, or 17,000 b/d. At the same time, US product exports in August were very close to their levels a year earlier with a decline of one per cent.

In the first eight months of 2008, US average product exports amounted to 1.66m b/d, 21 per cent higher than in the same period of last year.

"As a result, US net oil imports declined by 3.6 per cent in August, compared with the previous month, to reach about 11.37m b/d," said the OPEC report.

It noted that the 425,000 b/d drop in net oil imports in August came as a result of a 171,000 b/d decline in net crude oil imports and a 254,000 b/d drop in net product imports from the previous month.

On a year-on-year basis, US net oil imports were 6.1 per cent lower in August than in the same month last year. Average net oil imports in the first eight months of 2008 stood at 11.34m b/d, indicating a drop of 7.1 per cent, or 867,000 b/d, compared with the same period last year.

## Stock movements

In August, US total commercial oil stocks fell by 5m b, in line with the seasonal draw, to stand at 983m b. The draw, the first since the end of the first quarter, kept the deficit with the five-year average at 28m b, or three per cent, for the fourth consecutive month.

Crude oil inventories added a further 4.5m b to move above 300m b and stay slightly below the five-year average (–2.8m b). The increase of around 150,000 b/d in crude oil stocks, which took place despite a decline in imports, was attributed to lower refinery runs. The gap with the five-year average narrowed significantly from a considerable 27m b at the end of the second quarter.

In contrast to crude oil, product inventories fell by 9.5m b to more than offset the build of the previous month.

"This draw was driven by gasoline stocks, which lost almost 15m b – the sharpest decline in the last three years," observed the OPEC report.

As a result, gasoline stocks fell below 200m b for the first time this year to stand at around 194m b, the same level as a year earlier.

"This strong decline in gasoline stocks can be attributed to a significant drop of 100,000 b/d in finished motor gasoline imports The move below 200m b sent stocks again below the five-year average for the second time this year."

The report stated that it was worth mentioning that gasoline stocks witnessed an overhang of nearly 19m b in February this year, before starting to decline, due to a combination of lower imports and weaker production from refineries amid poor margins and crack spreads.

Similarly, distillate stocks dropped by 2m b to 131m b and moved below the five-year average again, putting an end to the upward trend which began in April.

**In August, US total commercial oil stocks fell by 5m b, in line with the seasonal draw, to stand at 983m b.**

Residual fuel oil stocks inched up by 600,000 b to stand above 37m b, implying 1.5m b, or four per cent, more than the five-year average, whereas jet fuel stocks fell by 300,000 b, but remained above the five-year average.

The US Strategic Petroleum Reserve (SPR) added 400,000 b to hit an all-time high of 707.2m b, which corresponds to more than 97 per cent of total SPR capacity. This build took place despite a decision, signed by President George W Bush, to stop filling the SPR, effective July. It could be attributed to a delay in deliveries.

According to latest data, US commercial oil stocks fell sharply in the week ending September 5.

"This could be attributed to disruptions from refineries and ports, due to the hurricanes," said the OPEC report.

The draw of more than 15m b, the highest

since the end of January 2003, on a weekly basis, resulted essentially from a decline of almost 6m b in crude oil and gasoline stocks.

However, due to lower imports, crude oil inventories lost 5.9m b to move below 300m b, widening the deficit with the five-year average to 6m b.

Gasoline stocks fell by 6.5m b, the seventh decline in a row, to stand at 188m b, the lowest level since the week ending November 3, 2002.

**In Japan, and supported by the continuous increase in refinery runs, product stocks added a further 11m b in August, according to preliminary data.**

Distillate stocks fell by 1.2m b, with diesel inventories losing 1.9m b and heating (oil stocks) adding 600,000 b.

"With this decline, distillate stocks are now below the five-year average for the first time since mid-May," commented the report.

Nevertheless, it said, due to weaker demand, crude oil stocks remained comfortable in terms of forward cover, corresponding to 20.3 days, one day better than the average of the previous five years.

In contrast, gasoline and distillate stocks were one day and two days below the average, respectively.

In Western Europe, EU-16 (EU-15 plus Norway) total oil stocks failed to follow their seasonal trend and fell below the five-year average in August for the first time since last November, after having dropped by 11.8m b, the same amount they increased during the previous month.

At 1,111m b, stocks are showing a deficit of 11m b, or one per cent, with the seasonal average, while, at the end of the third quarter, they were 22m b above the average. The unseasonal draw is attributed to a strong decline of 15.8m b in crude oil stocks.

This drop, of an equivalent of 510,000 b/d, the largest since last February, left crude oil stocks at 470m b, the lowest level seen so far this year and lower than the five-year average and last year's level.

"This draw was due to lower production from the North Sea and a decline in imports from the BTC pipeline. In addition, transatlantic arbitrage opportunities added further pressure," said the report.

Increasing imports and production from refineries allowed product inventories to rise for the second consecutive month, adding 5m b to stand at around 641m b.

Despite this build, product stocks moved below the five-year average as the increase was lower than the seasonal build. Both gasoline and distillate stocks increased, but remained below the prescribed average.

However, gasoline stocks, which rose by 1.5m b to 129m b, were just 2m b below the five-year average, whereas distillate inventories, despite a build of 7m b, were 14m b below the average, compared with 10m b the previous month.

Nevertheless, when compared with a year ago, gasoline stocks were much better, while distillates were lower this year. Both residual fuel oil and naphtha inventories lost around 1.8m b, but remained higher than a year ago.

In Japan, and supported by the continuous increase in refinery runs, product stocks added a further 11m b in August, according to preliminary data.

Once again, distillate inventories continued to drive product stocks up and accounted for 9m b to move above the five-year range for the first time since last April to stand at 43m b.

Gasoline stocks added more than 1m b and remained comfortable above the five-year average and last year's level.

However, in contrast to products, crude oil inventories fell by around 6m b, offsetting the build of the previous month and moved back to around 100m b to stay at the lower end of the five-year average.

**October**

## Crude oil price movements

The OPEC Reference Basket fell by $15.56/b, or nearly 14 per cent, to settle at an eight-month low of $96.85/b in September. The Basket continued to trend sharply lower in October as the evolving crisis in the financial sector indicated an increasingly weaker outlook for the world economy and hence demand growth. On October 14, the Basket stood at $73.49/b.

The crude oil market turned bearish at the start of September as Hurricane Gustav spared petroleum infrastructure in the Gulf of Mexico. This sentiment was enhanced by weak economic data amid a contraction in the US manufacturing index.

"The stronger US dollar also prompted investors to exit the market as equity markets improved," noted the OPEC report.

The OPEC Basket averaged the first week of September more than six per cent, or $6.81/b, lower at $104.39/b.

The market's weakness continued into the second week of the month under review amid a further strengthening of the US dollar, while OPEC was seen keeping its output policy unchanged, calming market sentiment.

The outlook for demand growth weakened as US refinery utilization rates fell to a three-year low. The market ignored the delay of repairs in the US Gulf Coast caused by Hurricane Gustav as Tropical Storm Ike threatened, resulting in an implied output cut of some 500,000 b/d. The Basket averaged the second week $7.02/b, or 6.7 per cent, lower at $97.37/b.

"In the third week, the market responded to the financial turmoil as Lehman Brothers declared bankruptcy, sparking fears of equity risks and raising concerns of a recession," commented the report.

Speculative investment exited dollar-

dominated commodities, sending the currency exchange rate lower; accordingly the petroleum market plummeted.

Prospects of slower demand growth outweighed the impact of the hurricanes in the Gulf of Mexico and the Basket plunged in the first two days of the third week by $8.55/b to the lowest level seen since February. The Basket averaged the week $8.17/b, or 8.4 per cent, lower at $89.20/b.

An upward trend that emerged towards the end of the third week continued into the fourth week amid the weak US dollar and prospects of tighter OPEC output. However, the fluctuation of the US dollar and concern over the health of the financial market capped the upward movement.

Nonetheless, with the influx of speculative investment into energy futures contributing to a bullish market sentiment, the Basket's average for the fourth week rose by $9.0/b, or 10.2 per, cent to $98.28/b.

On the US market, benchmark crude WTI averaged September $12.43/b, or 10.7 per cent, lower at $104.15/b.

In the North Sea market, sluggish demand prompted by ample supplies dampened the European oil scene. September saw Brent average $98.13/b, a decline of $14.90/b, or 13 per cent, from August.

In the Mediterranean market, Russia's Urals crude fell by $14.56/b, or 13 per cent, in September to $97.61/b.

In the Middle Eastern market, Dubai averaged $95.90/b in September for a loss of $16.96, or 15 per cent, over the previous month.

## Commodity markets

Looking at trends in selected commodity markets, the OPEC report stated that commodity prices declined in September for the third month in a row, reflecting the difficult world financial and economic situation, with the turmoil in the financial markets and an imminent recession having worsened the near-term outlook for commodity markets.

It said that the IMF index fell by 9.9 per cent in September, compared with a drop of 10.7 per cent in the previous month. The fall embraced both energy and non-energy prices. Commodity prices also declined sharply in early October in the face of the worsening financial crisis and macroeconomic deterioration which led to a decline in demand and expectations of a further drop in the near future.

The energy commodity index (crude oil, natural gas and coal) decreased by 11.6 per cent in September from August. Crude oil prices (the average petroleum spot price) fell by 13.3 per cent to $99.7/b in September and lost more ground in early October.

The US natural gas price fell by seven per cent in the month under review, due to weaker demand, rising inventories and growth in shale-gas production.

Coal prices declined in September as a result of weakening demand and the improvement in port congestion at New Castle in Australia. Volatility for this commodity was very high.

The industrial metal price index fell by 6.2 per cent month-on-month in September and declined further in early October, following the deepening economic turmoil that was seen to be affecting the real economy, implying a deterioration in demand and a four per cent US dollar appreciation against the Euro.

"The tighter links between industrial metal prices and industrial output has been a key factor behind the decline in most metal prices, which have dropped by a near one-third from early July and affected by the turmoil in financial markets and the certainty of recession," observed the OPEC report.

Aluminum prices fell by 8.6 per cent in September, while the price of gold declined by 1.1 per cent.

The World Bank's agricultural price index decreased by 5.1 per cent in September for the third consecutive month, owing to weakening demand, falling crude oil prices and an improved supply outlook.

The IMF food price index further declined by 6.4 per cent. Major losses in wheat were reported on a projected ten per cent increase in global production.

## World oil demand

In its review of the market, the OPEC report pointed out that the ongoing financial market turmoil is expected to continue to impact oil demand well into the coming year.

"Oil demand in the US will be affected negatively, at least in the first half of 2009. The expected spillover to other economies will affect oil demand elsewhere to a certain degree," it forecast.

Hence, it added, world oil demand growth for 2009 had been revised down by 100,000 b/d to 800,000 b/d, averaging 87.2m b/d.

Demand for OPEC crude is expected to average 32.0m b/d in 2008, a decrease of 260,000 b/d over the 2007 figure. On a quarterly basis, demand for OPEC crude is estimated at 32.6m b/d, 31.1m b/d, 32.0m b/d and 32.4m b/d, respectively.

In 2009, demand for OPEC crude is projected to average 31.1m b/d, a decline of 870,000 b/d compared with the 2008 figure. On a quarterly basis, the required OPEC crude for next year is expected to average 31.3m b/d, 30.3m b/d, 30.6m b/d and 32.4m b/d, respectively.

OECD oil demand is expected to shrink by 400,000 b/d next year; however, non-OECD oil demand growth is estimated to reach 1.1m b/d with most of the growth coming from China, the Middle East and India.

For 2008, the report noted that declining US oil demand has pushed OECD oil demand further down by more than 1.8 per cent to average 48.3m b/d. Hence, world oil demand for 2008 was revised down by 330,000 b/d to show growth of 550,000 b/d for an average of 86.5m b/d.

"Factors affecting world oil demand in September, such as a slowing economy, high retail prices and hurricanes, led to a year-on-year decline in total OECD consumption that exceeded 1.0m b/d," said the report.

Non-OECD oil demand growth increased by 1.16m b/d y-o-y in September. Most of this was attributed to Asian and Middle Eastern oil demand.

"Total world oil demand growth (in 2008)

now stands at half the initial figure. Robust non-OECD oil growth has more than offset the sharp unprecedented decline in developing countries."

Oil demand in China, the Middle East, India, and Brazil added more than 1.0m b/d to world oil demand this year.

The slowing US economy is seen as the main cause of the sharp slowdown in petroleum product demand this year, contributing to a 1.0m b/d year-to-date contraction in US oil demand.

**American motorists cut their driven mileage by 62.6 billion miles y-o-y in the first nine months of 2008, resulting in a decline in total gasoline consumption of 250,000 b/d.**

In OECD North America, the economic turmoil in the US has undermined demand for all petroleum products so far this year, with demand for gasoline, the product with the highest consumption, hurt the most. September gasoline demand declined by 4.7 per cent, totaling a demand loss of 440,000 b/d for the first nine months of the year.

"According to the Federal Highway Administration's recent data on vehicle miles traveled, American motorists cut their driven mileage by 62.6 billion miles y-o-y in the first nine months of 2008, resulting in a decline in total gasoline consumption of 250,000 b/d," observed the OPEC report.

Total US oil consumption declined further in the last month of the summer - by 7.6 per cent, or 1.6m b/d y-o-y. This major decline came as a result of deteriorating economic activities. Year-to-date, US oil consumption lost 1m b/d of its annual consumption.

"This excessive decline has dented world oil demand growth this year and is anticipated to see a further decline next year as well," the report predicted.

"It is anticipated that the upcoming winter will be colder, which would result in increased heating and fuel oil consumption. However, the expected slowdown in the use of other products, resulting from the current economic situation, will more than offset demand for winter products," it added.

Hence, North America's oil demand growth in 2008 was revised down by another 300,000 b/d to show a total y-o-y decline of 800,000 b/d.

In OECD Europe, oil demand is forecast to decline by 0.04 per cent y-o-y in 2008, averaging 15.3m b/d.

In the OECD Pacific, oil demand in the fourth quarter of 2008 is expected to show only minor growth of 20,000 b/d. Given the negative effects of not only slowing economic activities in the Pacific, but also high oil prices, OECD Pacific oil demand in 2008 is forecast to decline by 56,000 b/d, or 0.67 per cent, y o-y to average 8.3m b/d.

In the Developing Countries grouping, as a result of strong oil demand in Other Asia, Latin America, the Middle East and Africa, growth is forecast to reach 900,000 b/d y o-y to average 25.1m b/d in 2008.

Oil demand in Other Asia is expected to grow by 2.5 per cent, or 230,000 b/d, y-o-y in 2008, while, with transport and industrial fuel demand in the Middle East set to rise in the fourth quarter, Middle East oil demand growth is forecast to reach 330,000 b/d y-o-y in 2008.

Latin America's oil demand is also on the rise. Oil demand in Brazil, Venezuela and Argentina exceeded expectations in the third quarter. Economic activities, along with price controls, were the main factors behind this strong appetite for energy. Latin America's oil demand growth in 2008 is forecast to reach 230,000 b/d y o-y to average 5.7m b/d.

In the Other Regions grouping, in September, the FSU's apparent oil demand improved by around five per cent y-o-y. This strong growth was supported by an active economy within the region. For 2008, growth is expected to reach 120,000 b/d y-o-y to average 4.1m b/d.

## World oil supply

Preliminary figures indicate that world oil supply averaged 85.12m b/d in September, a drop of 940,000 b/d below the August figure. OPEC crude is estimated to have taken a 37.8 per cent share in global supply. The estimate is based on preliminary data for non-OPEC supply, estimates for OPEC NGLs and OPEC crude production from secondary sources

Meanwhile, non-OPEC supply in 2008 is expected to increase by 310,000 b/d over the previous year to reach 49.74m b/d. This represents a significant downward revision of 199,000 b/d compared with last month's OPEC assessment.

Downward revisions have been made to the US, Mexico, Australia, Malaysia, Vietnam, Brazil, Egypt, Russia, Kazakhstan, Azerbaijan, and China, which were partially offset by some upward revisions to Canada, Norway, the UK, Argentina, and Colombia.

"The third and fourth quarters experienced hefty downward revisions of 615,000 b/d and 199,000 b/d respectively, while the first quarter has been revised up by 25,000 b/d," said the report.

On a quarterly basis, non-OPEC supply for 2008 now stands at 49.63m b/d, 49.64m b/d, 48.93m b/d and 50.76m b/d, respectively.

OECD total oil production this year is forecast to average 19.87m b/d, representing a decline of 270,000 b/d from the previous year. This follows a downward revision of 53,000 b/d from last month's OPEC assessment.

On a quarterly basis, OECD oil supply in 2008 is estimated to average 20.01m b/d, 19.99m b/d, 19.35m b/d and 20.15m b/d, respectively.

A large part of the downward revisions to OECD North America and OECD Pacific was offset by the increase in OECD Western Europe.

The Pacific remains the only region among the OECD with forecast growth in 2008 despite this month's downward revision.

In the US, oil supply is expected to average 7.57m b/d in 2008, indicating growth of 70,000 b/d over the previous year, which represents a downward revision of 120,000 b/d from OPEC's last assessment.

"As expected, disruptions to federal Gulf of Mexico production from hurricanes Gustav and Ike were the main factors behind the downward revision. In addition to the lost production, of which a considerable portion remains shut in, the effect of the hurricanes also delayed project start-ups and ramp-ups," said the report.

The slow recovery left third-quarter production at 7.19m b/d, which is around 300,000 b/d below last month's OPEC assessment.

US fourth-quarter oil production is now estimated to stand at 7.69m b/d, which is 163,000 b/d below last month's figure. According to preliminary data, US oil production stood at 6.24m b/d in September, which was around 1.35m b/d lower than the August figure.

Oil supply from Canada is anticipated to grow by 90,000 b/d in 2008 over the previous year to average 3.41m b/d, indicating an upward revision of 29,000 b/d from last month's OPEC assessment.

On a quarterly basis, Canadian supply for 2008 stands at 3.30m b/d, 3.41m b/d, 3.46m b/d and 3.47m b/d, respectively. Preliminary data indicates that average September supply for Canada stood at 3.42m b/d.

Mexico's oil supply is forecast to decline by 280,000 b/d in 2008 from the previous year to average 3.21m b/d, representing a downward revision of 17,000 b/d from last month's OPEC appraisal.

Oil supply from OECD Western Europe is estimated to decline by 220,000 b/d in 2008 over the previous year to average 5.02m b/d, representing an upward revision of 88,000 b/d compared with last month's OPEC assessment. The support for the upward revision came from Norway, the UK and Denmark.

Norway's oil supply is expected to decrease by 110,000 b/d in 2008 from the 2007 level to average 2.45m b/d, following an expected upward revision of 50,000 b/d from last month's estimate.

On a quarterly basis, Norway's supply for 2008 stands at 2.51m b/d, 2.39m b/d, 2.43m b/d and 2.45m b/d, respectively.

In the UK, oil supply is anticipated to average 1.55m b/d in 2008, 140,000 b/d lower than in the previous year, indicating an upward revision of 27,000 b/d from last month's OPEC appraisal.

On a quarterly basis, UK oil supply for this year now stands at 1.69m b/d, 1.62m b/d, 1.44m b/d and 1.45m b/d, respectively.

OECD Asia Pacific oil supply is expected to increase by 70,000 b/d in 2008 over the previous year to average 670,000 b/d, indicating a downward revision of 33,000 b/d from last month's OPEC assessment.

On a quarterly basis, total UK oil supply in 2008 is estimated to average 580,000 b/d, 630,000 b/d, 650,000 b/d and 810,000 b/d, respectively.

Oil supply from Australia is estimated to grow by 30,000 b/d in 2008 over the previous year to average 560,000 b/d, which is 31,000 b/d lower than the previous month's level.

On a quarterly basis, Australian supply now stands at 470,000 b/d, 530,000 b/d, 540,000 b/d, and 680,000 b/d, respectively. The preliminary supply figure for September was put at 540,000 b/d.

New Zealand's oil supply is forecast to remain steady this year with a minor downward revision from last month's assessment for the second quarter.

Oil supply from the group of Developing Countries is expected to increase by 280,000 b/d in 2008 over the previous year to average 11.20m b/d. The latest supply forecast indicates a downward revision of 74,000 b/d, compared with the last OPEC estimate.

"Brazil remains the major contributor to growth in the Developing Countries group, followed by Colombia, while Yemen has the largest decline among the group relative to the forecast," commented the OPEC report.

On a quarterly basis, total oil supply in the Developing Countries in 2008 is forecast at 11.10m b/d, 11.03m b/d, 11.16m b/d and 11.53m b/d, respectively.

Other Asia is forecast to see oil supply average at 2.76m b/d in 2008, which represents growth of 40,000 b/d over the previous year. This follows a downward revision of 44,000 b/d from last month's OPEC assessment.

On a quarterly basis, Other Asia supply in 2008 is expected to average 2.76m b/d, 2.67m b/d, 2.68m b/d and 2.94m b/d, respectively.

Latin American oil supply is anticipated to increase by 200,000 b/d in 2008 over the previous year to average 4.08m b/d. This represents a downward revision of 18,000 b/d from last month's OPEC estimate.

Upward revisions to Argentina and Colombia were not enough to offset a downward revision to Brazil's oil supply forecast.

On a quarterly basis, Latin America oil supply in 2008 now stands at 4.00m b/d, 4.00m b/d, 4.14m b/d and 4.17m b/d, respectively.

Middle East oil supply is expected to decline by 20,000 b/d this year from 2007 to average 1.64m b/d, which is steady from last month's OPEC assessment. Oman is forecast to show the only growth in the group, while forecasts for Syria and Yemen indicate a decline.

On a quarterly basis, Middle East oil supply for 2008 now stands at 1.63m b/d, 1.64m b/d, 1.63m b/d and 1.66m b/d, respectively.

Oil supply from Africa is projected to average 2.72m b/d in 2008, indicating growth of 50,000 b/d over the previous year, and representing a downward revision of 8,000 b/d from last month's OPEC assessment on the back of adjustments to Congo and Egypt supply data.

On a quarterly basis, Africa's oil supply in 2008 now stands at 2.71m b/d, 2.71m b/d, 2.71m b/d and 2.75m b/d, respectively.

Oil supply from the FSU is estimated to average 12.71m b/d in 2008, representing growth of 190,000 b/d over last year and a downward revision of 62,000 b/d from the previous OPEC assessment.

On a quarterly basis, total oil supply in the FSU this year is forecast to average 12.62m b/d, 12.66m b/d, 12.48m b/d and 13.09m b/d, respectively.

Oil supply from China is anticipated to increase by around 85,000 b/d in 2008 over the previous year to average 3.85m b/d, representing a 12,000 b/d downward revision from last month's OPEC assessment.

On a quarterly basis, China's oil supply in 2008 is expected to average 3.81m b/d, 3.86m b/d, 3.84m b/d and 3.91m b/d, respectively.

Oil supply from Other Europe in 2008 is seen as remaining flat at 140,000 b/d.

Russia's oil supply this year is now forecast to see a decline of 20,000 b/d over 2007 figures to average 9.85m b/d, indicating a downward revision of 30,000 b/d from last month's OPEC assessment.

On a quarterly basis, Russian oil supply in 2008 is seen averaging 9.78m b/d, 9.74m b/d, 9.84m b/d and 10.03m b/d, respectively.

In the Caspian region, Kazakhstan's oil supply this year is estimated to increase by 71,000 b/d over 2007 to average 1.42m b/d, representing a downward revision from the previous OPEC forecast.

On a quarterly basis, Kazakhstan's oil supply in 2008 is expected at 1.42m b/d, 1.44m b/d, 1.32m b/d and 1.50m b/d, respectively.

Azeri oil supply in 2008 is forecast to average 980,000 b/d, representing growth of 120,000 b/d over the previous year. The current forecast indicates a downward revision of 21,000 b/d from last month's OPEC assessment.

The quarterly breakdown for Azeri supply in 2008 now stands at 960,000 b/d, 1.02m b/d, 860,000 b/d and 1.09m b/d, respectively.

In 2009, non-OPEC oil supply is expected to average 50.70m b/d, an increase of 970,000 b/d over the current year and around 110,000 b/d lower than last month's OPEC forecast.

On a quarterly basis, non-OPEC supply next year is expected to average 51.11m b/d, 50.55m b/d, 50.33m b/d and 50.83m b/d, respectively.

**Total OPEC crude oil production averaged 32.16m b/d in September, according to secondary sources. This represented a decrease of 308,600 b/d from the previous month.**

## OPEC oil production

Total OPEC crude oil production averaged 32.16m b/d in September, according to secondary sources. This represented a decrease of 308,600 b/d from the previous month.

OPEC production in the month under review, not including Iraq, stood at 29.92m b/d, representing a decline of 180,000 b/d from the previous month. The decrease came mainly from Saudi Arabia, Angola and Iran, while production from Nigeria and Libya saw gains over the previous month.

Production of OPEC NGLs and non-conventional oils are estimated to average 4.71m b/d in 2008, an increase of 490,000 b/d over the previous year. In 2009, OPEC NGLs output are expected to average 5.36m b/d, an increase of 660,000 b/d over the current year.

## Alternative fuels

The OPEC report said there is a growing awareness of the environmental impact of biofuels. Recently, it explained, the European Union considered applying a new mandate for carbon dioxide emission savings of at least 45 per cent.

Some studies by international organizations, including the United Nations, have indicated that biofuels' reputation as a green fuel is a myth. A study recently conducted by the UN strongly urged the world to abandon their biofuel blend mandate. The study blames the 60 per cent increase in food prices on the biofuel industry. The study also argued that world biofuel supply would end up substituting only a minor quantity of fossil fuel.

"Feeling not only the heat of the food problem, but also the burden of biofuel subsidies, Germany altered its mandate for biodiesel blend, which was set to reach 6.25 per cent next year. Furthermore, the country is planning to increase taxes on biodiesel in the near future. This move is not limited to Germany only, but has spread to other European countries, such as the United Kingdom," stated the report.

## Downstream activity

Looking downstream, the OPEC report said that product market sentiment improved temporarily following hurricanes Gustav and Ike, lifting product prices in both the physical and futures markets.

"The positive developments in product prices, along with falling crude prices, due to the further deterioration in the world economy, lifted refining economics across the globe," it noted.

But it stressed that the recent bullish developments in the product markets did not last long, as refineries on the US Gulf Coast were back to normal operational levels within the last two weeks and the risk of a product shortage has eased significantly.

"However, it is worth noting that, with the approach of the winter season, the tight distillate situation may provide some support for crude prices, but this may not be enough to overshadow other bearish factors in the market, or lift crude prices in the coming months," added the report.

Refining margins for WTI crude on the US Gulf Coast jumped by $16.74/b in September over the previous month to reach $22.90/b.

"The bullish developments in the US have also provided support for the European refining industry and lifted their economics," observed the report.

In line with such movements, Brent crude oil margins at Rotterdam surged to $8.04/b in September from $4.13/b in August.

Arbitrage opportunities to the US and

Europe have also given support to Asian product markets, lifting Asian product prices and refining margins. In line with these developments, refining margins for Dubai crude oil in Singapore soared to $5.64/b from minus 25¢/b in August.

The OPEC report pointed out that after Hurricane Ivan, which adversely affected US refinery operations in 2004, the risk of possible hurricane activity and its destructive impact on crude production and the refining industry has been considered in all market projections.

"But due to the limited knowledge about its range and potential destructive impacts, it is difficult to predict everything in advance and to cope with the potential negative impact on refinery operations. Hurricanes Gustav and Ike also negatively affected refinery operations on the US Gulf Coast in September," it said.

The refinery utilization rate in the US slipped by 13 per cent in September, compared with the previous month, to reach 74.8 per cent from 88 per cent.

In Europe, refinery utilization rates also declined by a marginal 0.7 per cent to record 83.7 per cent, down from 84.8 per cent in August.

In Asia, some refiners also reduced their throughput levels due to relatively low margins. In Japan, refinery utilization rates plunged by 11 per cent to 77.6 per cent in September from 88.5 per cent in August.

The report said that, looking ahead, by reducing the risk of hurricane activity, US refinery utilization rates may increase next month.

In Europe, due to the increasing seasonal turnaround capacity in October, refinery operation rates may decline further next month, but they are expected to rebound after the scheduled maintenance.

In Asia, slowing refining margins would have a negative impact on refinery operations in the next months. However, they may benefit from the possible arbitrage opportunity to the US and Europe and increase their throughput levels.

The report stressed that hurricanes Gustav and Ike caused extensive offline of refining activities (about 4m b/d) on the US Gulf Coast and accelerated product stock-draws in September.

## Oil trade

According to official data, US crude oil imports in September recorded the lowest volume in many years, averaging 8.62m b/d, a substantial 1.35m b/d, or 13.5 per cent, lower than in the previous month. The month's crude oil imports were also 1.69m b/d, or 16.4 per cent, down from the same month last year.

"The gap between US crude oil imports in 2007 and in 2008 is increasing with the publication of almost every monthly data," commented the OPEC report.

Average crude oil imports for the first three quarters of 2008 stood at 9.72m b/d, 3.6 per cent, or 361,000 b/d, lower than in the same period last year.

"This decline is attributable to the overall state of the slowing US economy, which has hit sales for almost all products, apart from gasoil, since December 2007," said the report.

Contrary to the crude oil imports, US product imports in September were at their highest level since May 2008, averaging 3.33m b/d, 463,000 b/d, or 16.2 per cent, higher than in the previous month. However, they were steady compared with September 2007.

Apart from residual fuel oil, almost all major product imports were higher in September than in the previous month.

Finished motor gasoline imports increased in September by 177,000 b/d, or 90 per cent, to reach 368,000 b/d. Despite this increase, average US gasoline imports for the first three quarters of 2008 dropped by 18 per cent, compared with the same period in 2007, to average 361,000 b/d.

Distillate fuel oil imports increased in September by 59,000 b/d, or 55 per cent, to average 166,000 b/d. Average distillate fuel oil imports for the first three quarters of 2008 were 208,000 b/d, indicating a drop of 54 per cent from the same period last year.

Residual fuel oil imports dropped in September by 16,000 b/d, or four per cent, to reach 366,000 b/d. They were five per cent higher than in August 2007. For the first three quarters of 2008, the US imported four per cent less residual fuel oil than in the same period of 2007.

On average, US product imports declined by 10.6 per cent in the first three quarters of 2008, compared with the same period last year.

On the export side, US product exports declined by 92,000 b/d, or 6.4 per cent, in September, compared with the previous month, to average 1.34m b/d. This represents a marginal decline of 8,000 b/d, or 0.6 per cent, compared with their level a year earlier.

**US crude oil imports in September recorded the lowest volume in many years, averaging 8.62m b/d, a substantial 1.35m b/d, or 13.5 per cent, lower than in the previous month.**

US average product exports for the first three quarters of 2008 stood at 1.7m b/d, indicating 24.5 per cent, or 334,000 b/d, growth over the same period last year.

As a result, US net oil imports declined by seven per cent in September, compared with August to stand at 10.58m b/d.

The 791,000 b/d drop in net oil imports in September came as a result of the 1.35m b/d drop in net crude oil imports and the 555,000 b/d increase in net product imports, compared with the previous month.

On a y-o-y basis, US net oil imports in September were 13.8 per cent lower than in the same month last year. Average net oil imports for the first three quarters of 2008 were 11.18m b/d, indicating a drop of 1.04m b/d, or 8.5 per cent, over the same period in 2007.

## Stock movements

Concerning stock movements, the OPEC report said that the recent successive hurricanes sent US commercial oil stocks below the bottom of the five-year range for the first time this year in September. Following a substantial draw of 24m b, commercial stocks fell to around 960m b at the end of September, the lowest level since May 2004, widening the gap with the five-year average to 56m b, or six per cent.

**The US Strategic Petroleum Reserve (SPR) fell by 4.2m b after the Department of Energy decided to release crude in the form of loans in the aftermath of the hurricanes.**

"As refineries were affected the most by the hurricanes, products were the main contributor to the draw with around 23m b, or 95 per cent," said the OPEC report.

In addition, lower imports, due to the closure of some ports, contributed to some extent to the drop in product inventories. However, the decline in crude runs did not prevent crude oil stocks from falling, albeit marginally, because of a decline in imports.

Due to low refinery throughput, crude oil stocks fell by just 1.1m b to stand slightly above 300m b, or roughly in line with the five-year average.

"However, it is worth mentioning that in summer the gap with the seasonal average rose to 27m b," said the report.

Within products, gasoline was the main driver with a loss of almost 15m b, the third draw in a row, and fell below the lower end of the five-year range. Gasoline stocks typically begin to build in September following the end of the driving season and the return of refineries from maintenance, but this year, stocks witnessed an unseasonal draw because of the hurricanes.

Following the same trend, distillate stocks dropped by 8.5m b to stand below 123m b and moved towards the bottom of the five-year range.

Jet fuel inventories lost 4.5m b to move to 36.6m b, the lowest level since April 2004, while residual fuel oil stocks added a minor 300,000 b to stand at 37.4m b, or higher than a year ago.

The US Strategic Petroleum Reserve (SPR) fell by 4.2m b after the Department of Energy decided to release crude in the form of loans in the aftermath of the hurricanes. At 703m b, the SPR currently represents almost 97 per cent of total capacity.

According to the latest data, US commercial oil stocks rose sharply in the week-ending October 3, surging by 19.6m b. Supported by a strong recovery in imports, crude oil stocks rose by more than 8m b to nearly 303m b and gasoline stocks helped also by increasing production from refineries by 7.2m b, but remained below 190m b. In contrast, distillate inventories lost 500,000 b, the sixth drop in a row. The draw was attributable to gasoil.

However, in terms of forward demand cover, crude oil stocks remained comfortable at 23.6 days, which corresponds to more than three days better than the average of the previous five years, whereas gasoline and distillate stocks remained at around one day lower than the seasonal average.

In Europe (EU-15 plus Norway), total oil stocks fell by a further 4.4m b in September to stand at nearly 1,119m b, broadly in line with the five-year average. The draw of 4.4m b, which is in line with the seasonal change, resulted from a build of 5.2m b in crude oil and a 9.6m b decline in products.

Crude oil inventories rose by 5.2m b to 478m b and remained above the average of the previous five years for the sixth consecutive month.

The increase in European crude oil stocks, which corresponds to some extent to a contra-seasonal build, resulted from a combination of the recovery in North Sea production and a decline in refinery throughputs at a time when exports to the US markets were affected by the hurricanes.

However, contrary to crude oil, product stocks fell below the five-year average for the first time since February, following a draw of 9.6m b. Due to lower production from refineries, both gasoline and distillate stocks declined.

The recovery witnessed by gasoline stocks in August did not last very long and stocks moved back to resume their downward trend. Gasoline stocks fell 2.7m b to 125m b, implying a deficit of 7m b with the five-year average.

"Nevertheless, gasoline inventories remain comfortable, taking into consideration the weak demand. It is worth noting that European gasoline stocks have been above their corresponding levels of the previous year since March," said the report.

Similarly, due to lower production from refineries, middle distillate stocks fell 7.5m b to stand slightly below 370m b, offsetting the build of the previous month and widening the deficit with the five-year average to two per cent.

Lower demand kept residual fuel stocks above the year-ago level for the seventh consecutive month in Europe. Fuel stocks rose by 600,000 b to stand at nearly 118m b, while naphtha inventories remained unchanged at 28.2m b, representing a gain of 1m b over the previous year.

According to preliminary data, Japanese commercial oil stocks added 11m b in September, representing a contra-seasonal build and the fourth consecutive increase.

With this upward trend, Japan's commercial stocks moved above 200m b for the first time since January 2007. Crude oil was the main contributor to this surge with around 10m b. However, due to the fact that products witnessed a contra-seasonal build, albeit small, both gasoline and distillate inventories are at comfortable levels, at the top of their respective five-year ranges.

| Table A: World crude oil demand/supply balance | | | | | | | | | | | | | | *m b/d* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **World demand** | **2004** | **2005** | **2006** | **2007** | **1Q08** | **2Q08** | **3Q08** | **4Q08** | **2008** | **1Q09** | **2Q09** | **3Q09** | **4Q09** | **2009** |
| **OECD** | 49.4 | 49.8 | 49.6 | 49.2 | 48.9 | 47.2 | 47.4 | 49.6 | 48.3 | 48.6 | 46.7 | 46.9 | 49.4 | 47.9 |
| North America | 25.4 | 25.6 | 25.4 | 25.5 | 24.8 | 24.5 | 24.3 | 25.2 | 24.7 | 24.6 | 24.2 | 24.0 | 25.0 | 24.4 |
| Western Europe | 15.5 | 15.7 | 15.7 | 15.3 | 15.2 | 14.9 | 15.3 | 15.7 | 15.3 | 15.2 | 14.8 | 15.3 | 15.7 | 15.2 |
| Pacific | 8.5 | 8.6 | 8.5 | 8.3 | 8.9 | 7.8 | 7.7 | 8.7 | 8.3 | 8.8 | 7.8 | 7.7 | 8.7 | 8.2 |
| **Developing countries** | 21.8 | 22.6 | 23.3 | 24.2 | 24.8 | 25.2 | 25.1 | 25.2 | 25.1 | 25.4 | 25.8 | 25.8 | 25.9 | 25.7 |
| **FSU** | 3.8 | 3.9 | 3.9 | 4.0 | 4.0 | 3.9 | 4.1 | 4.4 | 4.1 | 4.0 | 4.0 | 4.2 | 4.5 | 4.2 |
| **Other Europe** | 0.9 | 0.9 | 0.9 | 0.9 | 1.0 | 1.0 | 0.9 | 0.9 | 1.0 | 1.1 | 1.0 | 0.9 | 0.9 | 1.0 |
| **China** | 6.5 | 6.7 | 7.2 | 7.6 | 8.0 | 8.2 | 8.2 | 7.8 | 8.0 | 8.4 | 8.6 | 8.6 | 8.2 | 8.4 |
| **(a) Total world demand** | **82.5** | **83.9** | **84.9** | **85.9** | **86.7** | **85.4** | **85.7** | **88.0** | **86.5** | **87.5** | **86.1** | **86.4** | **88.9** | **87.2** |
| **Non-OPEC supply** | | | | | | | | | | | | | | |
| **OECD** | 21.3 | 20.5 | 20.2 | 20.1 | 20.0 | 20.0 | 19.3 | 20.1 | 19.9 | 20.3 | 19.9 | 19.6 | 20.0 | 20.0 |
| North America | 14.6 | 14.1 | 14.2 | 14.3 | 14.2 | 14.3 | 13.8 | 14.4 | 14.2 | 14.6 | 14.3 | 14.3 | 14.5 | 14.4 |
| Western Europe | 6.2 | 5.7 | 5.4 | 5.2 | 5.2 | 5.0 | 4.9 | 4.9 | 5.0 | 4.9 | 4.7 | 4.5 | 4.7 | 4.7 |
| Pacific | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.7 | 0.8 | 0.7 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 |
| **Developing countries** | 10.5 | 10.8 | 10.9 | 10.9 | 11.1 | 11.0 | 11.2 | 11.5 | 11.2 | 11.6 | 11.6 | 11.7 | 11.8 | 11.7 |
| **FSU** | 11.1 | 11.5 | 12.0 | 12.5 | 12.6 | 12.7 | 12.5 | 13.1 | 12.7 | 13.1 | 13.1 | 12.9 | 13.1 | 13.1 |
| **Other Europe** | 0.2 | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| **China** | 3.5 | 3.6 | 3.7 | 3.8 | 3.8 | 3.9 | 3.8 | 3.9 | 3.9 | 3.9 | 3.9 | 3.9 | 3.9 | 3.9 |
| **Processing gains** | 1.8 | 1.9 | 1.9 | 1.9 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| **Total non-OPEC supply** | 48.4 | 48.5 | 48.9 | 49.4 | 49.6 | 49.6 | 48.9 | 50.8 | 49.7 | 51.1 | 50.6 | 50.3 | 50.8 | 50.7 |
| **OPEC NGLS and non-conventionals** | 3.9 | 4.1 | 4.1 | 4.2 | 4.5 | 4.7 | 4.8 | 4.9 | 4.7 | 5.1 | 5.2 | 5.5 | 5.6 | 5.4 |
| **(b) Total non-OPEC supply and OPEC NGLS** | **52.3** | **52.5** | **52.9** | **53.6** | **54.1** | **54.3** | **53.7** | **55.7** | **54.4** | **56.2** | **55.8** | **55.8** | **56.4** | **56.1** |
| **OPEC crude supply and balance** | | | | | | | | | | | | | | |
| **OPEC crude oil production[1]** | 30.6 | 31.6 | 31.4 | 31.0 | 32.1 | 32.1 | 32.4 | | | | | | | |
| Total supply | 82.9 | 84.2 | 84.4 | 84.6 | 86.2 | 86.4 | 86.1 | | | | | | | |
| **Balance[2]** | 0.4 | 0.3 | -0.5 | -1.3 | -0.5 | 1.0 | 0.4 | | | | | | | |
| **Stocks** | | | | | | | | | | | | | | |
| **OECD closing stock level** *m b* | | | | | | | | | | | | | | |
| Commercial | 2538 | 2585 | 2668 | 2574 | 2566 | 2604 | | | | | | | | |
| SPR | 1450 | 1487 | 1499 | 1524 | 1530 | 1529 | | | | | | | | |
| Total | 3988 | 4072 | 4167 | 4098 | 4096 | 4132 | | | | | | | | |
| Oil-on-water | 905 | 958 | 916 | 945 | 936 | 936 | | | | | | | | |
| **Days of forward consumption in OECD** | | | | | | | | | | | | | | |
| Commercial onland stocks | 51 | 52 | 54 | 53 | 54 | 55 | | | | | | | | |
| SPR | 29 | 30 | 30 | 32 | 32 | 32 | | | | | | | | |
| **Total** | 80 | 82 | 85 | 85 | 87 | 87 | | | | | | | | |
| **Memo items** | | | | | | | | | | | | | | |
| FSU net exports | 7.3 | 7.7 | 8.1 | 8.5 | 8.7 | 8.8 | 8.4 | 8.6 | 8.6 | 9.1 | 9.1 | 8.8 | 8.6 | 8.9 |
| **[(a) – (b)]** | **30.1** | **31.3** | **32.0** | **32.3** | **32.6** | **31.1** | **32.0** | **32.4** | **32.0** | **31.3** | **30.3** | **30.6** | **32.4** | **31.1** |

1. *Secondary sources.*
2. *Stock change and miscellaneous.*

*Note: Totals may not add up due to independent rounding.*

***Table A*** *above, prepared by the Secretariat's Petroleum Market Analysis Department, shows OPEC's current forecast of world supply and demand for oil and natural gas liquids.*

*The monthly evolution of spot prices for selected OPEC and non-OPEC crudes is presented in* ***Tables One and Two*** *on page 66 while* ***Graphs One and Two*** *(on page 67 show the evolution on a weekly basis.* ***Tables Three to Eight****, and the corresponding graphs on pages 68–69 show the evolution of monthly average spot prices for important products in six major markets. (Data for Tables 1–8 is provided by courtesy of Platt's Energy Services).*

## Table 1: OPEC Reference Basket crude oil prices, 2007–2008

$/b

| | 2007 | | | | 2008 | | | | | | | | | Weeks 36–40 (week ending) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Crude/Member Country | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Sep 5 | Sep 12 | Sep 19 | Sep 26 | Oct 3 |
| **Arab Light** – Saudi Arabia | 74.28 | 79.31 | 89.02 | 86.29 | 88.75 | 91.26 | 99.23 | 106.05 | 120.59 | 129.35 | 132.75 | 113.69 | 97.57 | 105.07 | 98.26 | 90.27 | 98.77 | 89.85 |
| **Basrah Light** – Iraq | 72.14 | 77.47 | 86.26 | 82.79 | 85.21 | 88.80 | 97.19 | 103.28 | 116.35 | 124.46 | 127 | 109.16 | 94.84 | 102.15 | 95.15 | 87.39 | 96.65 | 87.91 |
| **BCF-17** – Venezuela | 66.35 | 72.20 | 81.87 | 79.79 | 80.59 | 80.36 | 89.12 | 94.1 | 106.2 | 116.16 | 124.51 | 110.48 | 96.17 | 104.35 | 94.68 | 87.29 | 99.39 | 91.60 |
| **Bonny Light** – Nigeria | 79.87 | 85.60 | 95.32 | 93.55 | 94.85 | 96.98 | 106.68 | 112.52 | 126.55 | 136.44 | 137.64 | 116.93 | 100.48 | 107.05 | 100.38 | 92.19 | 103.63 | 94.87 |
| **Es Sider** – SP Libyan AJ | 76.07 | 81.80 | 91.92 | 90.75 | 91.40 | 94.28 | 103.03 | 108.42 | 122.5 | 131.69 | 132.14 | 111.98 | 97.28 | 103.85 | 97.18 | 88.99 | 100.43 | 91.58 |
| **Girassol** – Angola | 75.48 | 80.23 | 90.21 | 88.98 | 88.68 | 92.13 | 101.46 | 107.38 | 121.76 | 130.89 | 131.35 | 110.26 | 96.68 | 103.04 | 96.62 | 88.48 | 99.74 | 91.26 |
| **Iran Heavy** – IR Iran | 72.63 | 77.30 | 87.17 | 86.31 | 86.36 | 88.51 | 96.68 | 102.23 | 116.47 | 124.66 | 126.75 | 108.1 | 93.04 | 100.83 | 94.04 | 85.70 | 93.50 | 86.50 |
| **Kuwait Export** – Kuwait | 71.94 | 76.33 | 86.23 | 84.37 | 85.63 | 87.77 | 95.58 | 101.25 | 115.79 | 124.37 | 127.57 | 108.84 | 93.15 | 101.24 | 94.56 | 85.73 | 93.16 | 86.16 |
| **Marine** – Qatar | 73.78 | 78.68 | 87.94 | 87.54 | 88.35 | 90.12 | 97.67 | 104.3 | 119.27 | 129.25 | 132.73 | 113.53 | 97.78 | 105.23 | 99.36 | 90.62 | 98.02 | 90.57 |
| **Minas** – Indonesia | 76.98 | 84.96 | 93.64 | 94.53 | 95.33 | 95.55 | 104.62 | 109.02 | 126.5 | 136.49 | 139.76 | 119.07 | 101.63 | 110.23 | 102.45 | 93.33 | 102.17 | 95.61 |
| **Murban** – UAE | 77.16 | 81.98 | 90.95 | 90.72 | 92.04 | 94.25 | 102.15 | 109.44 | 124.84 | 134.56 | 137.94 | 119.5 | 101.32 | 110.17 | 102.91 | 94.17 | 100.67 | 92.63 |
| **Oriente** – Ecuador | 65.90 | 71.77 | 80.01 | 78.40 | 79.38 | 80.80 | 90.27 | 98.06 | 111.25 | 119.13 | 119.43 | 102.13 | 89.52 | 96.93 | 89.75 | 82.77 | 91.56 | 80.17 |
| **Saharan Blend** – Algeria | 78.60 | 84.45 | 94.57 | 93.15 | 93.60 | 96.73 | 105.68 | 111.57 | 125.15 | 133.94 | 134.49 | 114.33 | 99.48 | 106.05 | 99.38 | 91.19 | 102.63 | 93.66 |
| **OPEC Reference Basket** | **74.18** | **79.32** | **88.84** | **87.05** | **88.35** | **90.64** | **99.03** | **105.16** | **119.39** | **128.33** | **131.22** | **112.41** | **96.85** | **104.39** | **97.37** | **89.20** | **98.28** | **90.01** |

## Table 2: Selected OPEC and non-OPEC spot crude oil prices, 2007–2008

$/b

| | 2007 | | | | 2008 | | | | | | | | | Weeks 36–40 (week ending) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Crude/country | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Sep 5 | Sep 12 | Sep 19 | Sep 26 | Oct 3 |
| **Arab Heavy** – Saudi Arabia | 63.55 | 69.86 | 73.99 | 83.96 | 82.51 | 84.96 | 92.67 | 97.66 | 112 | 120.62 | 124.09 | 105.47 | 89.92 | 98.33 | 91.72 | 82.43 | 89.31 | 83.42 |
| **Brega** – SP Libyan AJ | 71.29 | 77.42 | 83.10 | 93.22 | 91.85 | 95.48 | 104.23 | 109.72 | 123.9 | 133.29 | 133.94 | 113.78 | 99.08 | 105.65 | 98.98 | 90.79 | 102.23 | 93.28 |
| **Brent** – North Sea | 70.74 | 76.87 | 82.50 | 92.62 | 91.25 | 94.98 | 103.58 | 108.97 | 123.05 | 132.44 | 133.19 | 113.03 | 98.13 | 104.70 | 98.03 | 89.84 | 101.28 | 92.31 |
| **Dubai** – UAE | 67.36 | 73.36 | 77.12 | 86.96 | 85.79 | 89.40 | 96.72 | 103.41 | 118.86 | 127.82 | 131.27 | 112.86 | 95.9 | 104.35 | 97.69 | 88.41 | 95.25 | 88.56 |
| **Ekofisk** – North Sea | 72.00 | 78.08 | 83.38 | 93.24 | 92.12 | 96.38 | 105.48 | 111.81 | 124.96 | 135.26 | 136.66 | 115.2 | 99.62 | 105.86 | 99.52 | 91.59 | 102.82 | 93.88 |
| **Iran Light** – IR Iran | 69.34 | 74.88 | 79.74 | 89.92 | 89.12 | 91.76 | 99.35 | 105.92 | 119.39 | 127.89 | 128.19 | 110.95 | 97.56 | 104.08 | 97.61 | 89.62 | 100.24 | 91.65 |
| **Isthmus** – Mexico | 66.60 | 72.65 | 78.79 | 88.59 | 87.53 | 90.28 | 99.79 | 106.6 | 120.43 | 129.9 | 130.98 | 112.63 | 100.15 | 105.52 | 98.58 | 93.03 | 105.71 | 92.74 |
| **Oman** -Oman | 68.34 | 73.56 | 77.55 | 87.16 | 86.82 | 90.12 | 97.82 | 104.09 | 119.15 | 128.32 | 132.81 | 113.28 | 96.13 | 104.50 | 97.95 | 88.64 | 95.56 | 88.68 |
| **Suez Mix** – Egypt | 66.94 | 71.41 | 76.90 | 87.60 | 85.80 | 88.49 | 95.81 | 102.44 | 115.4 | 124.58 | 126.68 | 109.32 | 94.76 | 101.38 | 94.83 | 86.71 | 97.78 | 88.14 |
| **Tia Juana Light**[1] – Venez. | 64.93 | 70.69 | 76.90 | 86.55 | 84.73 | 87.93 | 96.8 | 103.29 | 116.45 | 125.62 | 127.71 | 110.04 | 96.65 | 101.82 | 95.13 | 89.78 | 102.01 | 89.49 |
| **Urals** – Russia | 69.25 | 73.78 | 79.52 | 90.24 | 89.02 | 91.14 | 98.95 | 105.75 | 119.11 | 127.73 | 130.06 | 112.17 | 97.61 | 104.34 | 97.79 | 89.54 | 100.48 | 90.73 |
| **WTI** – North America | 72.37 | 79.69 | 85.87 | 94.91 | 91.69 | 95.32 | 105.41 | 112.64 | 125.66 | 133.93 | 133.82 | 116.58 | 104.15 | 109.75 | 102.55 | 97.20 | 109.35 | 96.69 |

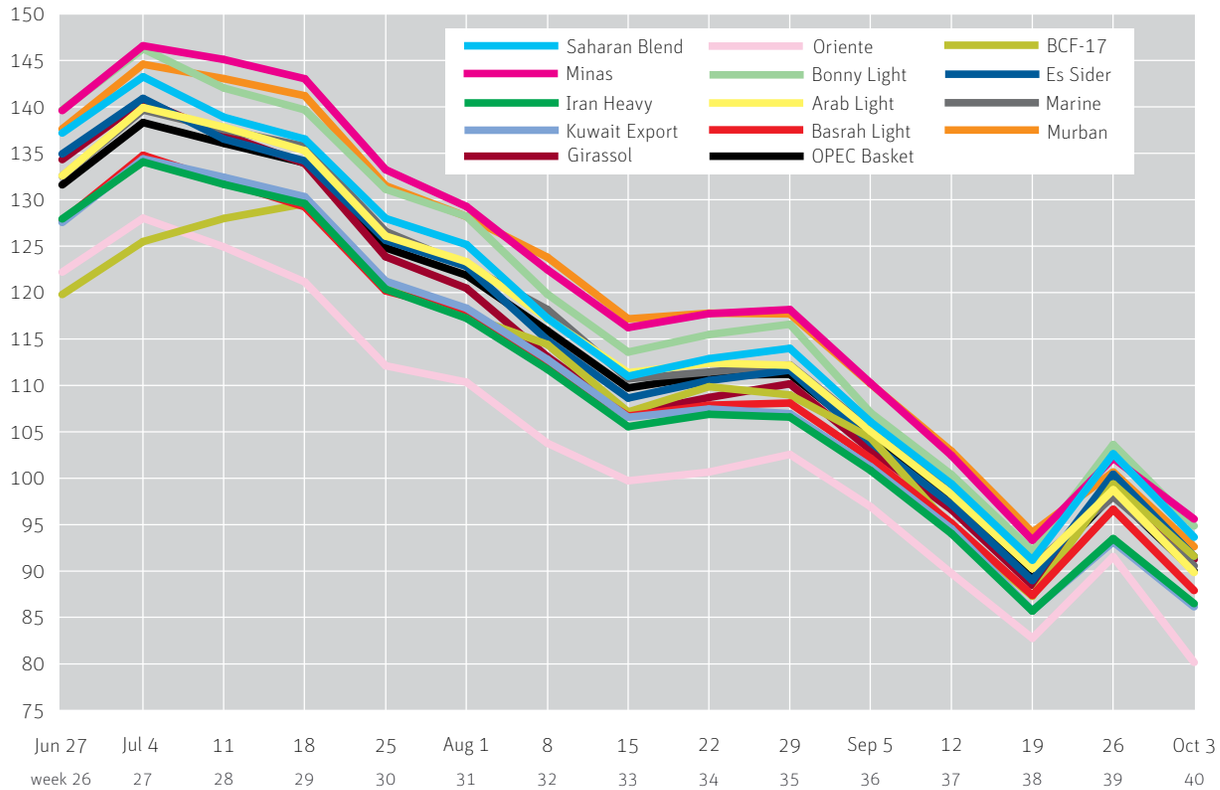
*Note: As per the decision of the 109th ECB (held in February 2008), the basket has been recalculated including the Ecuadorian crude Oriente retroactive as of October 19, 2007. As per the decision of the 108th ECB, the basket has been recalculated including the Angolan crude Girassol, retroactive January 2007. As of January 2006, monthly averages are based on daily quotations (as approved by the 105th Meeting of the Economic Commission Board). As of June 16, 2005 (ie 3W June), the OPEC Reference Basket has been calculated according to the new methodology as agreed by the 136th (Extraordinary) Meeting of the Conference.*

*1. Tia Juana Light spot price = (TJL netback/Isthmus netback) x Isthmus spot price.*

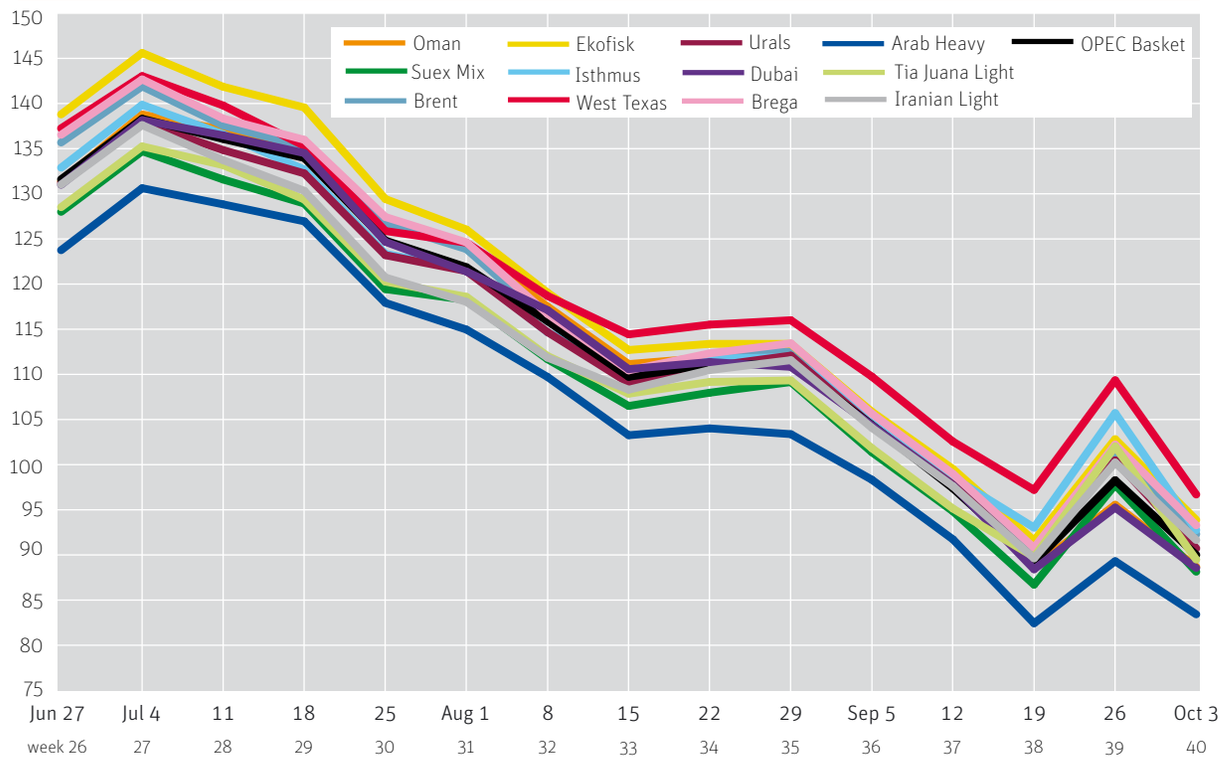
*Brent for dated cargoes; Urals cif Mediterranean. All others fob loading port.*

*Sources: The netback values for TJL price calculations are taken from RVM; Platt's; Reuters; Secretariat's assessments.*

**Graph 1: Evolution of the OPEC Reference Basket crudes (2008)** *$/b*




**Graph 2: Evolution of spot prices for selected non-OPEC crudes (2008)** *$/b*



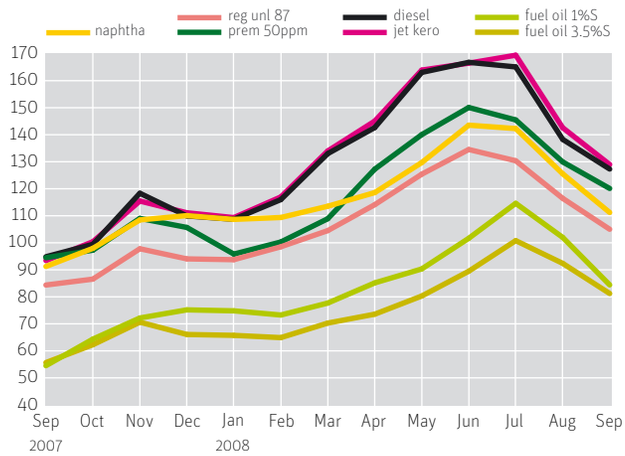

*Note: As per the decision of the 109th ECB (held in February 2008), the basket has been recalculated including the Ecuadorian crude Oriente retroactive as of October 19, 2007. As per the decision of the 108th ECB, the basket has been recalculated including the Angolan crude Girassol, retroactive January 2007. As of January 2006, monthly averages are based on daily quotations (as approved by the 105th Meeting of the Economic Commission Board). As of June 16, 2005 (ie 3W June), the OPEC Reference Basket has been calculated according to the new methodology as agreed by the 136th (Extraordinary) Meeting of the Conference.*

## Table and Graph 3: North European market — spot barges, fob Rotterdam

*$/b*

| | | naphtha | regular gasoline unleaded | premium gasoline 50ppm | diesel ultra light | jet kero | fuel oil 1%S | fuel oil 3.5%S |
|---|---|---|---|---|---|---|---|---|
| 2007 | September | 91.24 | 84.36 | 94.47 | 94.83 | 93.42 | 54.49 | 55.65 |
| | October | 97.94 | 86.55 | 97.25 | 99.44 | 100.40 | 64.34 | 62.26 |
| | November | 108.46 | 97.79 | 109.03 | 118.34 | 115.45 | 72.16 | 70.61 |
| | December | 110.06 | 94.04 | 105.68 | 109.94 | 111.11 | 75.17 | 66.06 |
| 2008 | January | 108.66 | 93.74 | 95.82 | 108.70 | 109.32 | 74.81 | 65.73 |
| | February | 109.36 | 98.52 | 100.30 | 115.98 | 116.97 | 73.26 | 64.89 |
| | March | 113.53 | 104.51 | 108.91 | 133.01 | 134.00 | 77.69 | 70.28 |
| | April | 118.58 | 114.11 | 127.26 | 142.66 | 145.05 | 85.16 | 73.57 |
| | May | 129.70 | 125.40 | 140.04 | 163.07 | 163.93 | 90.32 | 80.30 |
| | June | 143.54 | 134.53 | 150.09 | 166.80 | 166.50 | 101.66 | 89.47 |
| | July | 142.28 | 130.36 | 145.48 | 165.10 | 169.44 | 114.61 | 100.80 |
| | August | 125.53 | 116.45 | 129.93 | 138.28 | 142.59 | 101.99 | 92.38 |
| | September | 111.21 | 105.00 | 120.10 | 127.29 | 128.97 | 84.40 | 81.22 |

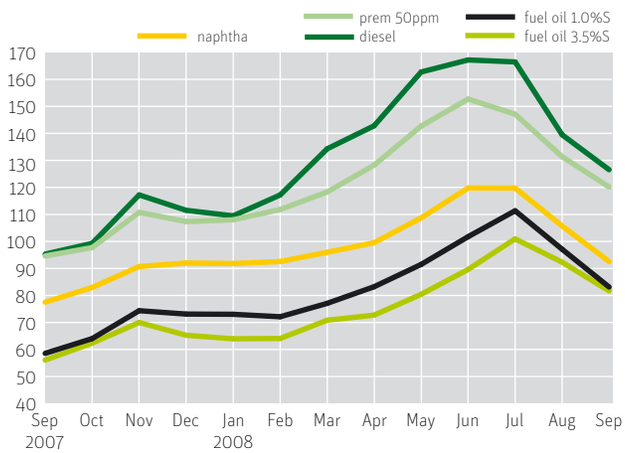
*Note: Prices of premium gasoline and diesel from January 1, 2008, are with 10 ppm sulphur content.*




## Table and Graph 4: South European market — spot cargoes, fob Italy

*$/b*

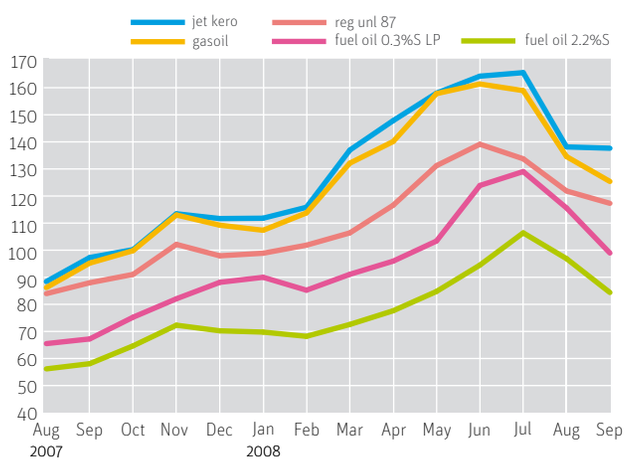
| | | naphtha | premium gasoline 50ppm | diesel ultra light | fuel oil 1%S | fuel oil 3.5%S |
|---|---|---|---|---|---|---|
| 2007 | September | 77.52 | 93.63 | 95.31 | 58.59 | 56.10 |
| | October | 82.97 | 96.73 | 99.29 | 64.04 | 62.37 |
| | November | 90.71 | 109.76 | 117.22 | 74.37 | 70.01 |
| | December | 92.01 | 106.35 | 111.52 | 73.12 | 65.28 |
| 2008 | January | 91.81 | 107.01 | 109.47 | 73.04 | 63.97 |
| | February | 92.56 | 110.83 | 117.20 | 72.13 | 64.09 |
| | March | 95.98 | 117.31 | 134.27 | 77.08 | 70.84 |
| | April | 99.53 | 127.26 | 142.80 | 83.24 | 72.73 |
| | May | 108.72 | 141.69 | 162.71 | 91.49 | 80.43 |
| | June | 119.81 | 151.71 | 167.17 | 101.76 | 89.64 |
| | July | 119.76 | 146.11 | 166.44 | 111.35 | 100.95 |
| | August | 105.72 | 130.39 | 139.48 | 97.12 | 92.32 |
| | September | 92.57 | 119.15 | 126.54 | 83.12 | 81.69 |




## Table and Graph 5: US East Coast market — spot cargoes, New York

*$/b, duties and fees included*

| | | regular gasoline unleaded 87 | gasoil | jet kero | fuel oil 0.3%S | fuel oil 2.2%S |
|---|---|---|---|---|---|---|
| 2007 | September | 87.97 | 95.23 | 97.29 | 67.22 | 58.08 |
| | October | 91.05 | 99.82 | 100.20 | 75.24 | 64.66 |
| | November | 102.14 | 113.00 | 113.45 | 82.05 | 72.30 |
| | December | 97.92 | 109.23 | 111.68 | 88.12 | 70.22 |
| 2008 | January | 98.88 | 107.35 | 111.81 | 89.99 | 69.75 |
| | February | 101.85 | 113.77 | 115.85 | 85.22 | 68.18 |
| | March | 106.38 | 132.13 | 136.96 | 91.08 | 72.57 |
| | April | 116.59 | 140.12 | 147.84 | 95.95 | 77.62 |
| | May | 131.22 | 157.82 | 157.99 | 103.38 | 84.76 |
| | June | 139.12 | 161.37 | 164.26 | 123.89 | 94.48 |
| | July | 133.75 | 158.93 | 165.57 | 129.03 | 106.40 |
| | August | 121.86 | 134.56 | 138.13 | 115.57 | 96.86 |
| | September | 117.30 | 125.38 | 137.65 | 98.95 | 84.37 |

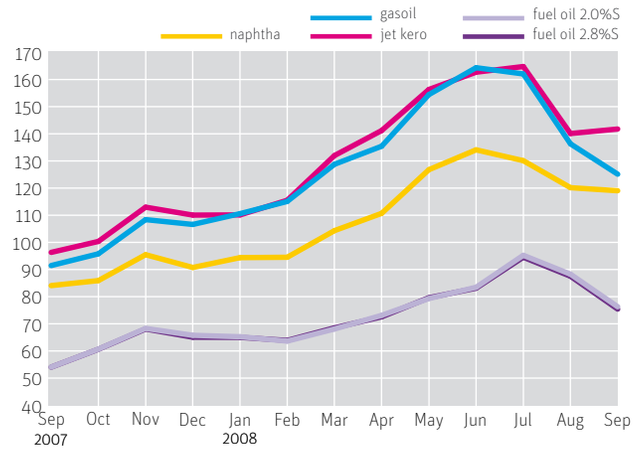



*Source: Platts. Prices are average of available days.*

## Table and Graph 6: Caribbean market – spot cargoes, fob

$/b

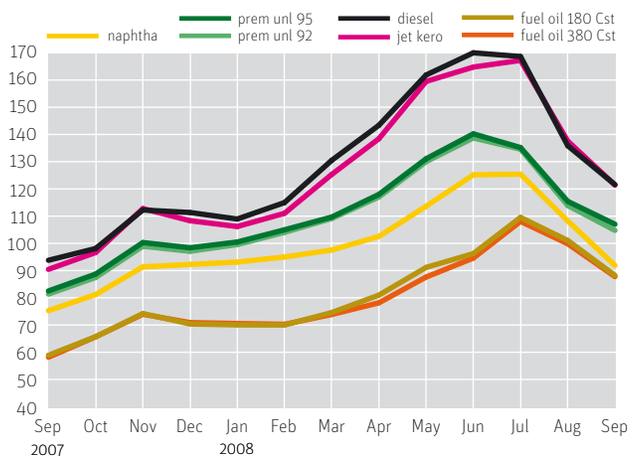
| | | naphtha | gasoil | jet kero | fuel oil 2%S | fuel oil 2.8%S |
|---|---|---|---|---|---|---|
| 2007 | September | 84.08 | 91.46 | 96.31 | 54.06 | 54.03 |
| | October | 85.92 | 95.79 | 100.35 | 60.66 | 60.61 |
| | November | 95.46 | 108.38 | 112.97 | 68.30 | 68.09 |
| | December | 90.75 | 106.60 | 110.05 | 65.77 | 65.00 |
| 2008 | January | 94.38 | 110.58 | 110.12 | 65.23 | 65.00 |
| | February | 115.08 | 115.08 | 115.52 | 63.63 | 63.88 |
| | March | 104.32 | 128.77 | 131.98 | 68.09 | 68.51 |
| | April | 110.69 | 135.42 | 141.20 | 73.12 | 72.57 |
| | May | 126.77 | 154.44 | 156.32 | 79.31 | 79.60 |
| | June | 134.09 | 164.35 | 162.69 | 83.45 | 83.12 |
| | July | 130.10 | 162.05 | 164.78 | 95.24 | 94.52 |
| | August | 120.15 | 136.29 | 140.10 | 88.27 | 87.52 |
| | September | 119.02 | 125.11 | 141.76 | 76.28 | 75.40 |




## Table and Graph 7: Singapore market – spot cargoes, fob

$/b

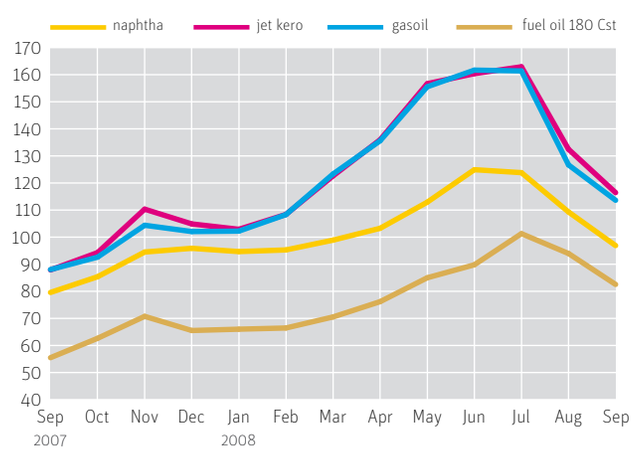
| | | naphtha | premium gasoline unl 95 | premium gasoline unl 92 | diesel ultra light | jet kero | fuel oil 180 Cst | fuel oil 380 Cst |
|---|---|---|---|---|---|---|---|---|
| 2007 | September | 75.28 | 82.51 | 81.35 | 93.78 | 90.44 | 58.90 | 58.15 |
| | October | 81.18 | 88.71 | 87.46 | 98.11 | 96.62 | 65.70 | 65.67 |
| | November | 91.38 | 100.29 | 98.94 | 112.26 | 112.77 | 74.21 | 73.95 |
| | December | 92.24 | 98.38 | 97.09 | 111.33 | 106.17 | 70.37 | 70.89 |
| 2008 | January | 93.12 | 100.49 | 99.56 | 108.94 | 106.17 | 70.04 | 70.56 |
| | February | 94.99 | 104.97 | 104.04 | 114.97 | 111.03 | 70.00 | 70.26 |
| | March | 97.54 | 109.66 | 109.12 | 130.49 | 125.31 | 74.57 | 73.86 |
| | April | 102.53 | 117.98 | 117.02 | 143.38 | 138.44 | 80.98 | 78.14 |
| | May | 113.63 | 131.07 | 130.01 | 161.86 | 159.47 | 91.15 | 87.62 |
| | June | 125.18 | 140.23 | 138.72 | 170.00 | 164.76 | 96.23 | 94.58 |
| | July | 125.41 | 135.19 | 134.60 | 168.64 | 167.21 | 109.53 | 108.05 |
| | August | 108.24 | 115.42 | 113.91 | 135.87 | 137.57 | 101.07 | 99.84 |
| | September | 91.89 | 107.02 | 104.75 | 121.57 | 121.42 | 88.23 | 87.77 |




## Table and Graph 8: Middle East Gulf market – spot cargoes, fob

$/b

| | | naphtha | gasoil | jet kero | fuel oil 180 Cst |
|---|---|---|---|---|---|
| 2007 | September | 79.57 | 88.02 | 87.89 | 55.48 |
| | October | 85.38 | 92.62 | 94.29 | 62.64 |
| | November | 94.50 | 104.39 | 110.34 | 70.75 |
| | December | 95.88 | 102.07 | 104.89 | 65.52 |
| 2008 | January | 94.67 | 102.23 | 102.90 | 66.01 |
| | February | 95.28 | 108.33 | 108.39 | 66.45 |
| | March | 98.90 | 123.32 | 122.63 | 70.53 |
| | April | 103.27 | 135.60 | 135.98 | 76.18 |
| | May | 112.91 | 155.54 | 156.68 | 85.00 |
| | June | 124.91 | 161.68 | 160.38 | 89.79 |
| | July | 123.82 | 161.39 | 162.92 | 101.29 |
| | August | 109.30 | 126.68 | 132.46 | 93.96 |
| | September | 96.88 | 113.61 | 116.44 | 82.53 |




*Source: Platts. Prices are average of available days.*

# Secretariat visit

A delegation from the Corporate Affairs Commssion of OPEC Member Country, Nigeria, led by the Registrar General, Ahmed Al-Mustapha, pictured during a visit to the OPEC Secretariat in Vienna on August 25, 2008.

## Forthcoming events

**North African oil and gas summit 2008, 3rd annual meeting, November 4–6, 2008,** Vienna, Austria. Details: The Energy Exchange Ltd, 5th Floor, 86 Hatton Garden, London EC1N 8QQ, UK. Tel: +44 207 067 1800; fax: +44 207 242 2673; e-mail: marketing@theenergy-exchange.co.uk; website: www.theenergyexchange.co.uk.

**ERTC hydrocracking training course 2008, November 5–7, 2008,** Brussels, Belgium. Details: Global Technology Forum, Highview House, Tattenham Crescent, Epsom Downs, Surrey KT18 5QJ, UK. Tel: +44 1737 365100; fax: +44 1737 365101; e-mail: events@gtforum.com; website: www.gtforum.com.

**ERTC H2 production training course 2008, November 5–7, 2008,** Brussels, Belgium. Details: Global Technology Forum, Highview House, Tattenham Crescent, Epsom Downs, Surrey KT18 5QJ, UK. Tel: +44 1737 365100; fax: +44 1737 365101; e-mail: events@gtforum.com; website: www.gtforum.com.

**3rd regional Mangystau oil and gas exhibition, November 5–7, 2008,** Aktau, Kazakhstan. Details: ITE Group plc, Oil an Gas Division, 105 Salusbury Road, London NW6 6RG, UK. Tel: +44 207 596 5233; fax: +44 207 596 5106; e-mail: oilgas@ite-exhibitions.com; website: www.ite-exhibitions.com.

**Advanced price risk management, November 6–7, 2008,** Singapore. Details: Conference Connection Administrators Pte Ltd, 105 Cecil Street #07-02 The Octagon, 069534 Singapore. Tel: +65 6222 0230; fax: +65 6222 0121; e-mail: info@cconnection.org; website: www.cconnection.org.

**Measuring and managing upstream oil and gas performance, November 12–14, 2008,** London, UK. Details: The Energy Exchange Ltd, 5th Floor, 86 Hatton Garden, London EC1N 8QQ, UK. Tel: +44 207 067 1800; fax: +44 207 242 2673; e-mail: marketing@theenergy-exchange.co.uk; website: www.theenergyexchange.co.uk.

**National oil companies briefing, November 17, 2008,** London, UK. Details: Global Pacific Partners, Suite 7, 4 Montpelier Street, Knightsbridge, London SW7 1EE, UK. Tel: +44 207 589 7804; fax: +44 207 589 7814; e-mail: babette@glopac.com; website: www.petro21.com.

**The nuclear renaissance, November 17–18, 2008,** London, UK. Details: Chatham House, 10 St James's Square, London SW1Y 4LE, UK. Tel: +44 207 957 5700; fax: +44 207 957 5710: e-mail: contact@chathamhouse.org; website: www.chathamhouse.org.uk.

**ERTC 13th annual meeting, November 17–19, 2008,** Vienna, Austria. Details: Global Technology Forum, Highview House, Tattenham Crescent, Epsom Downs, Surrey KT18 5QJ, UK. Tel: +44 1737 365100; fax: +44 1737 365101; e-mail: events@gtforum.com; website: www.gtforum.com.

**12th World independents forum, November 18, 2008,** London, UK. Details: Global Pacific Partners, Suite 7, 4 Montpelier Street, Knightsbridge, London SW7 1EE, UK. Tel: +44 207 589 7804; fax: +44 207 589 7814; e-mail: babette@glopac.com; website: www.petro21.com.

**7th National oil companies, November 19–20 2008,** London, UK. Details: Global Pacific Partners, Suite 7, 4 Montpelier Street, Knightsbridge, London SW7 1EE, UK. Tel: +44 207 589 7804; fax: +44 207 589 7814; e-mail: babette@glopac.com; website: www.petro21.com.

**Pacific gas insiders, December 1–2, 2008,** Singapore. Details: Conference Connection Administrators Pte Ltd, 105 Cecil Street #07-02 The Octagon, 069534 Singapore. Tel: +65 6222 0230; fax: +65 6222 0121; e-mail: info@cconnection.org; website: www.cconnection.org.

**International oil trading, December 2–5, 2008,** London,UK. Details: The Petroleum Economist Ltd, 69 Carter Lane, London EC4V 5EQ, UK. Tel: +44 207 779 8800; fax: +44 207 779 8899; e-mail: customerservice@petroleum-economist.com; website: www.petroleum-economist.com.

# Vacancy announcements

## Head, Multilateral Relations Department

**Application deadline: November 7, 2008**

**Job dimensions:**
Within the Research Division, the Multilateral Relations Department is responsible for analyzing, reporting and advising on developments pertaining to ongoing multilateral debates, negotiations and treaties, such as on energy and sustainable development. This entails monitoring and analyzing energy-related multilateral policy initiatives; actively following the pertinent, international dialogues on energy and emerging policies and conventions and reporting thereon; gathering and analyzing data and information in these fields; ensuring proper coordination among Member Countries and participation in relevant multilateral forums and discussions; further building up OPEC's networks with national, regional and multilateral organizations; and enhancing and supporting coordination and collaboration among Member Countries themselves.

**Qualifications:**
Advanced University degree (PhD preferred) in Economics, Political Science or other fields relating to Economic, International Trade and Development Cooperation Policy.
A minimum of 12 years (ten years in the case of a PhD degree) of applied experience in national government and in international assignments with a minimum of four years in a management/supervisory position.
Training/specialization in international relations, representation and diplomatic relations.
Team building problem & solving skills, project management skills and presentation skills.

The post is graded at P-2 (B) level reporting to the Director of Research Division. The compensation package, including expatriate benefits, is commensurate with the level of the post.

## Environmental Policies Analyst

**Application deadline: November 24, 2008**

**Job dimensions:** The Environmental Policies Analyst, in collaboration with the International Relations Analyst, studies and analyzes national and multilateral environmental policies, and assesses their impact on energy developments, in particular on the medium- to long-term oil outlook and on OPEC. He/she studies and analyzes developments in the global and multilateral debate on climate change and evaluates the impact on OPEC. Furthermore, he/she contributes to the coordination of OPEC Member Country positions in international forums on issues pertaining to the environment in general and to the United Nations Framework Convention on Climate Change (UNFCCC) negotiations in particular.

**Qualifications:** University degree in Environmental Sciences or Economics, Engineering or other Sciences, preferably with specialization in environment (advanced degree preferred). A minimum of ten years (eight years in case of an advanced degree) of applied experience, four of which with managerial experience, preferably at large national, regional/international institutions. Training/specialization in Environmental policies; analysis of environmental issues related to energy and international debate on environment. Analytical, communication and presentation skills.

**Status and benefits:** Members of the Secretariat are international employees whose responsibilities are not national but exclusively international. In carrying out their functions, they have to demonstrate the personal qualities expected of international employees such as integrity, independence and impartiality.

The post is graded at D-level, reporting to the Head of Multilateral Relations Department. The compensation package, including expatriate benefits, is commensurate with the level of the post.

## Oil Price Analyst

**Application deadline: December 12, 2008**

**Job description:** Studies and analyzes determinants of oil prices and price differentials between grades of crude oil as well as different market crude spreads with potential arbitrage flows. He/she analyzes factors affecting petroleum future markets and their interaction with spot price and forecasts short- and medium oil price movements and — on the basis of forecasts of oil demand and supply as well as current stock movements — undertakes market assessments under different scenarios and report thereon.

**Required competencies and qualifications:** University degree in Economics, Petroleum Economics, Marketing, Engineering or related fields. A minimum of eight years of experience in the oil industry sector (with university degree). A minimum of six years of experience in the oil industry sector (with advanced university degree). Training specialization in physical and future markets, supply/demand fundamentals, economics in the petroleum industry, trading tools, oil market and its fundamentals, in particular combination of all key factors influencing the oil market/prices.

**Status and benefits:** Members of the Secretariat are international employees whose responsibilities are not national but exclusively international. In carrying out their functions, they have to demonstrate the personal qualities expected of international employees such as integrity, independence and impartiality.

The post is graded at E level and reports to the Head of Petroleum Studies Department. The compensation package, including expatriate benefits, is commensurate with the level of the post.

**Status and benefits:** Members of the Secretariat are international employees whose responsibilities are not national but exclusively international. In carrying out their functions they have to demonstrate the personal qualities expected of international employees such as integrity, independence and impartiality.

**Applications:** For above positions, applicants must be nationals of Member Countries of OPEC and should not be above 58 years of age. OPEC has a policy of non-discrimination which encourages qualified men and women to apply. Applicants are requested to fill in a résumé and an application form which can be received from their country's Governor for OPEC (see www.opec.org/home/vacancies/index.htm).

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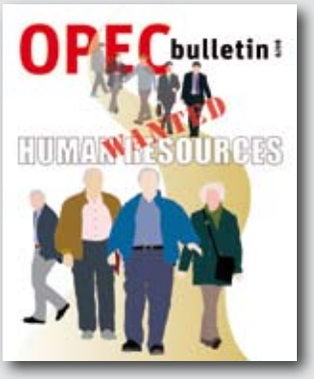


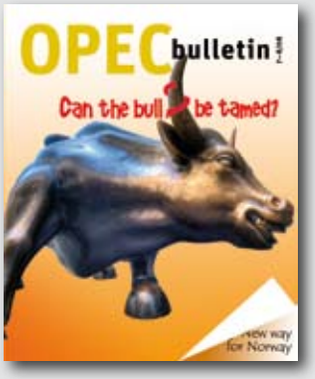


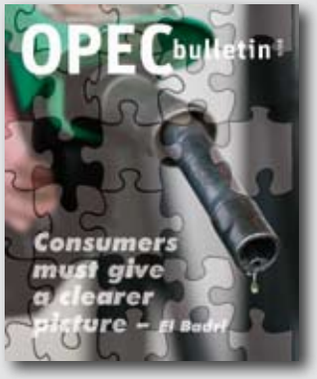


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